Page 14



FINANCIAL TIMES

Thursday June 11 1992

EUROPE'S BUSINESS NEWSPAPER

Two Maxwells involved in buying MCC shares

Documents which show for the first time that both Robert Maxwell and his son Kevin were intimately involved in substantial purchases of shares in Maxwell Communication Corporation. one of their own public companies, have been obtained by the Financial Times.

Meanwhile, a director of a secretive Swiss trust has admitted that transfers of MCC shares to his trust, which are at the centre of an investigation by the UK Serious Fraud Office, were made on the instructions of Robert Maxwell Page 16; NatWest seeks ruling on Maxwell shares, Page 9: Bank pulls out of MGN refinancing, Page 9

Trade threat: The European Commission reacted angrily to the publication in Washington of a \$2bn European Community food exports "hit-list" threatening punitive tariffs if the EC fails to reform its oilseeds subsidy regime. Page 16

Landesbank Schleswig-Holstein: Three main board directors resigned in protest at plans for the sale of a stake in the publicly-owned institution to Westdeutsche Landesbank. Page 17

Premier chosen: Anand Panyarachun, busines man and former diplomat, was re-appointed as prime minister of Thalland by a royal edict which paves the way for new elections. Page 7

Air wars: Lufthansa, German state airline, and Swissair cut their ticket prices from the US to Europe in response to a price war which broke out among US carriers on Tuesday. Page 2



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Rudolf Hess, Hitler's deputy (left), who staged an abortive peace mission to the UK in 1941. addressed an apparent suicide note to his family in Germany a month after his myste rious arrival in Scotland according to UK government records published as part of an effort to reduce official secrecy

Trouble looms: When US President George Bush arrives in Rio de Janeiro today he could be embarking on his biggest public relations disaster since his accident ridden trip to Japan in January. Page 4; Last infinite struggle for convention on forests. Page 4

General Domestic Appliances, Anglo US maker of white goods, is about to Join a European partnership with the leading French and Spanish suppliers of household appliances. Page 17.

Gadaffi attacked: Libya's official press unprecedentedly criticised Colonel Muammer Gadaffi's relations with fellow Arabs and called for better relations with the US. Page 8

Accounts qualified: The uncertain UK property market prompted auditors to qualify the accounts of Regalian Properties, one of the best-known UK-quoted property companies. Page 18; Lex.

Page 16; London stocks, Page 31 Peace risk: Khmer Rouge guerrillas have said they will refuse to co-operate fully with a UN plan to bring democracy to Cambodia, throwing

the peace process into doubt. Page 7 Exports blocked: Efforts by Bangladesh to liberalise its trade regime and boost exports are being handicapped by trade barriers in rich western

countries, Gatt says. Page 5 Four executed: Iran hanged four men for their part in last month's riots in the holy city

of Mashhad. Boardroom rules: Non-executive directors in the UK will no longer be able to serve on more than one board because of their obligations under

proposals on corporate governance. Page 9 **Meatlé,** Swiss food group, is paying FFr480m (\$90.5m) to buy 1.5m shares in Suez, French industrial and financial group. Page 18

Warning on extremism: Britain's Commission for Racial Equality criticised the rise of right-wing extremists in Europe and the US. Page 9

Guerrilla held: Victor Polay Campos, leader of Peru's second-largest guerrilla group, has been captured in a Lima suburb. Page 4 Self-off started: Bolivia launched its

privatisation programme this week by ear-marking more than 60 enterprises, ranging from cotton mills to cement factories, for sale. Page 4

Slow start: Eight hundred employees and only 100 customers attended the grand opening of ... Japan's largest department store. Page 7

STOCK MARKET INDICES	E STERLING
FT-SE 100:2,836.1 (+0.7) Yield4.67 FT-SE Eurotrack 1001,174.58 (+0.36) FT-A All-Share1,278.43 (+0.0%)	New York lunchtline: \$ 1.832 London: \$ 1.8335 (1.833)
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3-mo interbank 10% (10%) Uffle long gilt future: Sop 97% (Sep 97%) E NORTH SEA OIL (Argus) Brent 15-day (July) 229.95 (21.025) E Gold	Y 127.685 Londor: OM 1.583 (1.59) FF 5.3625 (5.355) SF 1.4525 (1.456) Y 127.55 (127.6) S Index 62.8 (same)
New York Cornex (June)\$337.9 (338.3) Lendon\$338 (337.95)	Tokyo close Y 127.42

UK and EC near deal on 48-hour working week

THE UK and its European Community partners are close to agreeing plans to limit the working week to 48 hours, breaking a two-year deadlock on one of the most controversial pieces of com-

By David Gardner in Brussels

munity legislation. The British government has fiercely resisted conceding a ceiling on working hours. According to senior European Commission officials, all 12 would accept a 48-hour working week under the compromise, but Britain would

the crisis of confidence caused by the Danish rejection of the Maastricht treaty which has jeopardised European union.

If agreed, the working time deal would translate Maastricht's agreement to disagree on social policy into law for the first time. At Maastricht, the II put their more ambitious social policy aims into a protocol to the treaty, leaving the UK subject only to existing social provisions.

seven years to implement it.

Commission officials say a deal

would be significant because of sign up to EC policies which suit them - are anathema to integrationists who see in them the fragmentation of the Community and

> But after the Danish rejection, and with Ireland's June 18 referendum looming, events could move swiftly in favour of a variable speed Europe.

According to senior Commis-sion officials, all 12 would accept a 48-hour working week under the compromise. But the UK

implement it: the maximum there was no discrimination.

This basis for compromise folcome into law plus a seven-year transition period.

Crucially, the directive would allow those people willing to work more than 48 hours to do so the main UK demand. But those workers unwilling to exceed the prescribed limit would

have the protection of the law. To enforce this, employers would have to keep records of both categories of workers, and make these available to national health and safety authorities,

lowed German representations designed to ensure that the UK was not isolated in the Council of Ministers on June 24 in Luxembourg, ahead of the June 26-27 Lisbon summit. It was Germany which prevented the issue going to a vote on April 30, to allow the

newly-appointed Mrs Gillian

Shephard, the UK employment secretary, a "grace period".
Following the Danish referendum result, however, negotiations gathered pace, Commission today's meeting between Mrs Shephard and her French counterpart, Ms Martine Aubry, who is one of the authors of the EC's social chapter.

If agreement is reached, it would be sealed at a social affairs EC ministerial meeting on the eve of the Lisbon summit, which will be dominated by the Maastricht treaty crisis.

Some problems remain, such as whether working time agree ments should be negotiated at industry level - as the majority of member states want - or at

Delors calls for more open EC to head off critics

By Andrew Hill in Strasbourg

EUROPEAN Commission president Mr Jacques Delors yes-terday called for a more open, less complicated European Community as an antidote to growing scepticism about European

In the first sitting of the European parliament since Danish voters rejected the Maastricht treaty in a referendum last week, Mr Delors blamed the increasing uneasiness about closer European union on the EC's failure to explain itself to a wider

Mr Delors is clearly worried about the gathering criticism of the commission and the community. In his address on the pro-posed EC budget – which has come under attack from member states - he made a particular point of emphasising how much Ireland benefits from EC funding. tricht takes place next week and polls published vesterden in a The Irish referendum on Masscated increased opposition to the

Members of the European parhiament glimpsed how deeply the Danes' implicit criticism of the commission president's style had struck, when Mr Delors reacted angrily to accusations that he wanted to "sideline" the community's smaller member-states.

"That is totally false, totally wrong," said Mr Delors, unex-pectedly interrupting the emergency debate on the Danish referendum to answer specific accusations levelled at him by Ms Nel van Dijk, a Dutch Green

MAASTRICHT IN

THE BALANCE

Page 2

■ Delors warns budget critics of stagnation

■ EC central banks to press ahead with monetary plans

Sharp growth in Irish opposition to Maastricht

Page 16 ■ UK ministers deny splits

Page 17

over Maastricht

Muted cheers for the single market

Samuel Brittan Page 15 LexPage 16

that you have to come along with a vast free trade area. supporting evidence," he said. Rumours that Mr Delors favoured giving more executive power to the commission and large member-states in an enlarged community badly damaged the pro-EC cause in Denmark in the weeks before the

Mr Delors had opened the debate on the Danish vote with a calm speech, tinged with contrition, giving his views on the impact of, and reasons for, the Danish no vote. He reasserted his view that the

process of ratification of the "I protest very strongly and I treaty in the other 11 member think if you say something like states should continue. But he

added that clarity of legislation, transparency of decision-making and a particular emphasis on "subsidiarity" - the devolution of powers to the most appropriate authority - should be the hall-marks of community institutions

and governments. He said that after January 1, 1993, the target date for the implementation of the single European market, the volume of commission-generated legislation was bound to diminish.

"We mustn't, for fear of being unemployed, make new laws just for the fun of it," he said. The parliament voted by a

large majority to urge member states to continue the ratification process "without Mr. Jean-Pierre Cot, leader of

the socialist group in the parliament, rejected the option of reopening negotiations on the treaty: "Renegotiation would be the opportunity some people dream of to transform the comunity into inothing more than

Commission officials agree with Mr Delors that the EC's aims must be explained to member states and their citizens. "Somehow we have to find a way to recreate the basis for trust," a senior Brussels official said yes-"Maybe we have forgotten

about the public at large."
Mr Leo Tindemans, the Belgian head of the Christian Democrat group in parliament, said: "We have a lot of sympathy for Denmark and the Danish people. We can only regret that they have not shown a lot of understanding of the Maastricht



Jacques Delors: he blamed growing scepticism about closer European union on the EC's failure to explain itself

UN paves the way for supply troops in Sarajevo

By Judy Dempsey in Beigrade and Jurek Martin in Washington

UNITED NATIONS military officers arrived in Sarajevo yes terday to prepare the way for 1,000 UN troops who hope to lift the siege on the city's sirport and allow the transport of supplies for thousands of residents.

The officials hope to arrange the removal of all anti-aircraft weapon systems held by Serb irregulars surrounding the airnort and oversee their withdrawal from the vicinity.

UN officials stressed that the operation "was highly dangerous" since it depends on all sides honouring a ceasefire. They also warned that they did not have the means to provide air cover

for the troops.

Mr Cedric Thornberry, the UN's chief negotiator said: "Ceasefires come and go, but we

have to keep trying."

Last weekend Mr Thornberry forged an agreement between the Bosnian presidency and the Bosnian Serb army, led by Ger Ratko Mladic and Mr Radovan Karadzic, to reopen the airport.

A senior US Senator warned that military action might be

needed to curb Serbia's territorial In Washington, Senator Richard Lugar, the Republican from Indiana, said: "The time for

Continued on Page 16 Calm before the storm, Page 14

Germany warned not to quit Euro fighter project

In an interview with the Financial Times, he said there was "very considerable scope" for cost savings in the project, up to now involving the UK, Germany, Italy and Spain.

are due to meet in London today to advance discussions about ways of reducing the cost of producing the aircraft, now in the late

Mr Volker Rühe, German defence minister, who has made clear his opposition to continued German participation, is expected to discuss the project with Mr Rifkind during a ministerial meeting of the Western European Union, a nine-nation defence grouping, in Germany next Friday. Mr Rühe is due for fur....Page 2

Mr Rühe had stated his own "per-sonal recommendation", the Gerreached a decision.

He issued a severe warning of the political implications if Bonn did withdraw, referring to the

defence dimension and European co-operation, and at the same time consider withdrawing from the single most important exam-

ple of European defence collaboration at the present time," he He said he understood Bonn's predicament in the face of parliamentary pressure against the

nate" to consider withdrawing from a 20-year project "simply on the basis of an immediate short-term parliamentary handling problem".

An effort was needed within

aged by "growing representa-tions" within Germany in favour of the project, including those from industry and the CSU, the coalition.

He said Germany would face costs if it backed out but this would depend on the manner of its withdrawal.

A decision to withdraw now would be premature, he added. There was no need for the partners to commit themselves on production of the aircraft until sometime in 1993".

Germany does.

By David White and Robert

MR Malcolm Rifkind, Britain's defence secretary, said yesterday that he still hoped to persuade Germany not to leave the £20bn European Fighter Aircraft project and warned that withdrawal would be "very damaging to Ger-many's credibility as a reliable

Senior UK and German officials

Britain launches final EFA

ther talks in London on July 6. Mr Rifkind said that although man government had not yet

recent arguments within the EC and Nato about plans for European defence. "I don't think it is possible for the German government on the one hand to speak robustly about the desirability of a European

approval of funds for pressing ahead with the programme.

weeks to identify potential savings so that decisions may be taken on the basis of up-to-date Mr Rifkind said he was encour-

Bavarian party in the governing

scaping, hotel & golf course nearby

UK officials are confident of Italy's determination to remain in the programme, which aims to bring the new fighter into service in 1998. However, they are concerned that Spain might leave if

It would however be "unfortu-CONTENTS

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Delors warns budget critics of stagnation

MR Jacques Delors, the dent, yesterday hit back at critics of the planned increase in the European Community budget. He warned that the EC would relapse into "stagnation or crisis" if richer states continued to resist an increase in

contributions to the budget. The 35 per cent boost in EC revenue proposed in the so-called Delors II package came under attack from seven out of 12 members - led by Germany and Britain - at Tuesday's meeting of finance ministers in Luxembourg.

Yesterday, Mr Delors told the European parliament in Strasbourg that the EC would

OPPOSITION to the Maastricht

Treaty in Ireland has doubled

since the Danish voted to

reject it last week, according to

an opinion poll published in

Dublin yesterday . The Market Research Bureau

of Ireland (MRBI) poll, commissioned by the Irish Times,

found that opposition to the treaty has doubled from 11 per

cent to 23 per cent of voters

since a similar poll taken a month ago. Those indicating an intention to vote "yes" have

dropped from 57 per cent of

This still gives a proportion

of two-to-one in favour of the

tresty, but a significant 30 per cent of voters are undecided, giving little cause for comfort

to the government whose cam-

paign for a "Yes" vote looks

increasingly as though it is

The interviews for the poll

were carried out 24 hours before EC finance ministers in

By William Dawkins in Paris

ANGRY French farmers

yesterday stepped up their

demonstrations against agri-

culture policy reform in the

least seven areas - from

Nantes, where market garden-

ers dumped several tons of veg-

etables on the streets, to

Rennes, where shallot growers

ransacked a local agriculture

ministry office, and Toulouse,

where farmers continued to man road blocks for a second

Protests were recorded in at

European Community.

states remained intransigent.

Holding contributions at the equivalent of 1.2 per cent of gross national product until 1997 would provide Eculibn (27.7bn) of additional annual funding by 1997, against Ecu21bn under plans for a 1.37 per cent contribution.

Mr Delors said: "With that Eculibn we could finance the reform of the common agricultural policy, the cohesion funds [for poorer EC members], to the tune of up to Eculobn over five years, and external policy. But there would be no increase in structural funds, and no increase for internal policies [principally research and schemes to make EC companies more competitive]. Can we really envisage that?

opposition to Maastricht

ing by 30 per cent, under which Ireland had hoped to receive a

big increase in structural

On posters appearing around

Dublin this week, and in leaf-lets dropping through letter-boxes, the government has been highlighting the impor-tance of the EC structural

funds to Ireland's economy and

to point out that Ireland could

expect to receive a doubling of EC structural and cohesion

funds, amounting to 196bn, for

the 1994-98 period if the treaty

put a brave face on the turn of

events in Luxembourg. Mr Ber-

tie Ahern, the finance minister,

said he will continue to press his EC colleagues on the issue,

and to hold out for a doubling

of funds to Ireland, although

mise, and a scaling down of

We are still at an early

he acknowledged that compro

expectations may be necessary.

The government yesterday

Sharp growth in Irish

block the package, but their comments are likely to influence foreign ministers, who will discuss it on Monday, and EC leaders in Lisbon at the end of the month.

"A realistic assessment of moment makes me think the budget will not be adopted in its entirety at the next European Council [in Lisbon]," admitted Mr Delors yesterday. But he said he hoped for a for-mal decision at the Edinburgh summit in December

Mr Delors added that the Commission had prepared its evaluation of Britain's rebats on budget contributions worth Ecus.3bn last year - and was waiting for the right occasion to publish it.

to cohesion and equality in the

community or there isn't. If

there were to be a retraction by a number of member states on those commitments, then

that will change people's atti-

Opponents of the treaty yes-

terday drew encouragement

from the poll results and the

rejection of the Delors package. Mr Proinsias de Rossa, the leader of the opposition Demo-

cratic Left party, who is leading a small parliamentary

grouping against the treaty, said: "Doubts about the treaty

are likely to intensify as a result of this snub from the EC

The opposition Fine Gael

party, which on Tuesday joined forces with the ruling

Fianna Fail party, to campaign

on behalf of the treaty was also

critical of the government's

handling of the campaign. The party said: "We thought it very

unwise of the government to

tudes significantly

finance ministera."

negotiating stage" he said. make promises that could not be kept".

Angry French farmers step up protests

German economists attack **Emu policy**

monetary economics and inter-national finance, from schools and universities across Germany, will today publish a declaration condemning the Maastricht treaty on European economic and monetary union.

Their intervention at a time of growing doubts about the Maastricht treaty may be a serious embarrassment to the German government as it tries to gain swift ratification in the

two houses of parliament.
The document does not question the principle of Emu and a single European currency, but criticises its haste, the decision to make such a move automatic by 1999 at the latest, and the laxity of the convergence criteria on which it is based. They also question how genuine the independence will be of a European central

leading figures as Professor Herbert Glersch, former head of the Kiel Institute and Professor Karl Schiller, former economics and finance

However, the balk of those behind the initiative are younger professors belonging to the new generation of German international economists. The declaration says that Emn would be possible only on the basis of long-term economic convergence between the EC member states, and based on a Europe-wide con-sensus that low inflation and monetary stability are paramount goals of monetary policy. That consensus does not exist, and nor does the time-

scale to 1998 provide the basis for genuine convergence, it The professors say that tougher inflation criteria should have been set for potential members of the Rmu, and they fear that the political desire to see BC states join the currency union will result in the criteria being further

Britain launches a final EFA sortie to keep Bonn on board

Germany's withdrawal from the fighter project could be followed by a similar move by Spain, David White reports

BRITAIN'S defence minis-try is mounting a last-ditch effort to keep Germany in the four-nation European Fighter Aircraft Project by arguing that it can be produced more cheaply than

At the same time, it is pre-paring the ground for a Ger-man withdrawal from the 220hm project, which could be followed by a similar move by Spain. This would leave Britain and Italy to carry out the remainder of the programme, now near the end of an £8bn development phase. Initial contacts have been made with other European countries that might join in the production phase to ensure

EFA's viability.

Spain, which delayed before joining the development programme four years ago, is understood to have assured Britain it will stay in the project as long as Germany does, and will not quit unless the price of the aircraft increases. If Germany does withdraw, however, some increase in costs to the other partners

appears inevitable.

The odds on Bonn pulling out from the sophisticated fighter, widely seen in Germany as exceeding the country's needs in a transformed east-west climate, have increased sharply since the industrial partners tabled production proposals in April. Initial British calculations were that German withdrawal might increase the EFA's price to the

UK by 7 per cent. If Spain

would be 12 per cent. However, officials now indicate that the extra cost might be smaller. Negotiations are under way with the two German-based

industry consortia - the airframe grouping Eurofighter (British Aerospace, MBB of Germany, Alenia of Italy and Casa of Spain) and the engine team Eurojet (Rolls-Royce, MTU of Germany, Fist and the Spanish company ITP) - to bring down production costs. A decision to set up production - at a cost of some £3.5hn

between the four countries was initially due to be made this year, but UK officials say it is not now required before mid-1993. The decision requires a commitment by the partners on how many aircraft they intend to buy, but actual production orders would not be placed until 1995, enabling producers to meet the 1998 target for starting deliveries. The UK says Germany could push back its own delivery schedule to ease its costs in the initial

Bonn has a more pressing timetable, however, because it needs Bundestag approval to allocate money next year for tooling-up. Industry has already offered to cut its price by 5 per cent and UK officials

expect further reductions. The original proposal gave the Germans what they call a "system price" of DM123.9m (246m) per aircraft - an accounting concept used by the German military which, say British officials, nobody else

the UK is known a "unit production price" - the price of each aircraft as it comes off the assembly line, plus a share of the production investment cost - with 35 per cent added on to cover logistics support, and value added tax.

The UK says the logistical support allowance is too high for an aircraft designed to be cheaper to operate and maintain than current-generation aircraft. It is understood to be siming for a unit production cost of about £28m-£29m. With initial support costs this would

Britain says costs can be cut with new plan for production

Britain believes costa can be cut by reorganising the produc-tion plan. The partner countries could be assured of hightechnology work without automatically sharing in each major element such as flight controls. Final assembly lines, instead of one in each country, would be reduced to two at most one at BAe in Lancashire, another either in Bavaria or Italy.

If Germany pulls out, more work would go to the UK. British officials reckon this would save costs because British

however, be unlikely to compensate for the extra burden of production investment, shared between fewer partners. Any add-on cost would be likely to force down the numbers of aircraft the remaining partners

The RAF wants 250 aircraft as originally planned, but the UK Treasury can be expected to block any extra spending. The other partners have already reduced their declared plans - Germany to 200, Italy to 130 and Spain to 87, making a total of 667. This is 13 per gramme. None of the plans is secure. The project needs a production run of at least 350-400 aircraft. Below that, say officials, it will cease to be competitive with the alterna-

The UK argues strongly that there is "no cheaper aircraft with acceptable performance". Among the main options, the McDonnell Douglas F-15, the top-of-the-range US fighter, would be costlier, its planned successor, the Lockheed-Bosing-General Dynamics F-22, even more so; McDonnell Douglas's F/A-18 is judged less capable than KFA and, the way Britain does its sums on aircraft costs, no cheaper.

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The industrial stakes are high. Government and industry officials estimate EFA production, under present plans, would sustain 60,000 jobs in Europe, including 20,000 in the UK, and an equivalent number

Bonn wins exemption on chemical

THE European Commission agreed yesterday that Germany could continue to ban the toxic chemical PCP on environmental grounds even though European Community rules allow limited use, Commission officials said, Reuter reports from Strasbourg. It is the first time the Com-

mission has exempted an EC country from applying legisla-tion designed to create a single market. It decided that Germany could opt out under an article of the Treaty of Rome allowing governments to impose national rules on grounds of environmental pro-

Germany requested the exemption after the EC adopted legislation last year restricting the marketing and use of pentachlorophenol - a US carrier, Delta Airlines,

tor drivers staged an opération many traffic jams. Mr Louis Mermez, agriculture minister, yesterday met farm organisations to study

trict, south-west of Paris, trac-

how to implement the reforms. and said the government was ready to hold a parliamentary

France's RPR Gaullist party accused the ruling Socialists of "deception" and of betraying farmers' interests in the recent

Mr Raymond Lecombe, president of the FNSRA, the main escarget (go-slow), causing farmers' union, tried to cool the temperature yesterday by reminding farmers that they could only influence the detail. but not the basic direction, of EC farm reform.

However, a vocal minority of French farmers is resolutely against against the principle of a decline in guaranteed prices and a shift towards direct income aid, as envisaged in the reforms. They are represented agreement on EC farm policy by Rural Coordination, an

yesterday called on its members to toughen their protests. Rural Coordination was formed late last year, in protest against the perceived ineffectiveness of a large demonstration by the two mainstream unions, the FNSEA and the CNJA, in Paris.

The movement, made up of discontented FNSEA and CNJA members, wants an increase in farm prices and the complete abandonment of the EC reforms. The two unions balleve this is unrealistic.

Lufthansa and Swissair join fare-cutting war in the US

By Daniel Green

LUFTHANSA, the German state airline, and Swissair yes-terday cut their ticket prices between the US and Europe in response to a transatlantic price war which broke out among US air carriers on Tues-

KLM, the Dutch airline, and British Airways said they were reviewing their pricing poli-cies. The Lufthansa discounts apply between 12 US cities and 43 European destinations, leaving a New York-Frankfurt business class return ticket \$772 cheaper at \$2,000 (£1,098.9).

This is latest round in the fight for market share on the world's most competitive longhaul routes. It was initiated on Tuesday by the third biggest

Airlines and American Airlines, quickly followed suit. ental Airlines has also matched most of the lower

The reductions are on and the Gulf war. higher-priced tickets, including first and business class. These are for the summer season only, so travel must start by September 30 and finish by October 14.

Transatlantic traffic has been healthy in recent weeks, especially by comparison with slack domestic US demand. But the growth in traffic between the US and Europe has been largely leisure travellers buying cut-price tickets. The Delta move was intended to stimulate business traffic.

US carriers have been price-cutting heavily on domestic US routes since April, when American Airlines cut business fares and created a simplified ticket in share prices yesterday.

routes. The price war has come at a time when air travel is beginning to pick up after a slump induced by the recession

Six of the world's top 10 airlines have lost money over the past two years and with price cuts now have little hope of returning to profit this year. The price war triggered by Delta caught its competitors by

"We're puzzled and totally perplexed by Delta's move because advance bookings to Europe have been very strong," said United on Tuesday. Delta cut fares by up to 45 per cent on business, first-class

and full-price economy ticket. Falling fares worried investors in airline stocks, some of which saw significant declines

US senator urges force to curb Serbia

A SENIOR US Senator bring about "a stern enforce-yesterday warned that military ment" of a ceasefire in Yugo-action might be needed to curb slavia and, falling all else, to Serbia's territorial ambitions,

writes Jurek Martin in Washington. Senator Richard Lugar, the

Republican from Indiana, to take the lead in getting the United Nations and Nato to be ready to use force against the regime in Belgrade.

"The time for drawing the line has come," he said. "The UN should authorise nation states to use force. Nato should draw up plans for a compreough as that formulated for he said, "it should face suffiair, sea and ground forces in Desert Storm." "A final demand," he went

ceasefire followed by diplomatic resolution of claims and boundaries, with the UN or Nato, in some combination, providing peacekeeping forces." If Serbia did not yield,

cient military force to ensure its certain and swift defeat." Senator Lugar's intervention on, "should be made for a is an attempt to break the logiam of US political indifference to events in Bosnia-Hercegovina. The Senate foreign relations committee is to take public discussion further today in special hearings.

Debate on policy is calling into question UK institutions such as discount houses

EC central banks to press ahead with monetary plans

EUROPE'S central banks intend to press ahead with a controversial attempt to draw up a common European monetary policy despite the setback to plans for economic and monetary union dealt by Denmark's rejection of the Maastricht Treaty. According to senior European monetary officials, the issue, which

already has exposed big differences between the British, German and French central banks, is potentially more contentious than the disputed location of the proposed European central bank (ECB) itself.

The shape of a future European monetary policy and the way it is put into practice could have a signif-

icant influence on European finan-cial markets, including London. The debate is calling into question specifically British institutions such as the discount houses, which channel liquidity from the Bank of England to the UK banking system, and raising the possibility that Britain may have to adopt continental-style monetary instruments such as minimum reserve requirements.

Any final decision on a European monetary policy will also influence the structure and organisation of the European System of Central Banks (ESCB), that under the Maastricht plan is due to be established in the third and final stage of Emu.

Three models for operating a Euro-pean monetary policy have emerged from talks in the EC's committee of

senior officials in the committee's monetary policy sub-committee and a special "economic unit" attached

Most contentious is a decentral-ised system, proposed by the French central bank, where the operation of monetary policy would be kept as far as possible among the existing national central banks, which will coexist with the proposed ECB as part of the ESCB. The French claim this principle best conforms with the principle of subsidiarity, which calls for decisions to be taken at the low-

est possible government level.

There is a Bundesbank-type variant, in which monetary operations such as repurchase agreements could be arranged through national central banks in much the same way that the state central banks in Germany are at present used to assemble and process bids for central bank funds in Germany.

A centralised system in which the monetary operations would be con-centrated in one location has also been under discussion. This system would be analogous to

the Bank of England's method of providing funds and setting interest rates through institutions such as the discount houses. However, it appears that the Bank has not been actively pushing this idea as a model for Europe, because it realises that it would be impossible to transfer UKtype institutions to the continent. Instead, it has supported ideas for a decentralised system which would

allow the UK to keep some of its monetary institutions. Some of the tension underlying

these issues came to the surface last last month in a speech given by Mr Helmut Schlesinger, the Bundesbank president. He rejected the central-ised, British-style model as being inconsistent with subsidiarity. However, he did not spell out a

more deep-seated German concern that the French ideas could lead to national central banks setting alightly different interest rates from those established by the ECB. This, the Germans fear, would create com-petitive distortions and upset the principle that monetary policy should be the same throughout a future economic and monetary union with the primary goal of com-

Many other difficult questions have to be resolved. A dispute between the Bundesbank and Bank of England is possible over whether the future ECB could force banks to deposit non-interest bearing minimum reserves with it to help it control EC monetary policy. Another open question is whether the ECB open question is whether the pob-should set a broad money target for the eventual monetary union. The Maastricht summit gave the

job of preparing the single monetary lositiute, which is due to begin operating at the beginning of 1994. However, the central bankers have decided that the issues are so complex that they need to be tackled before that date.

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NEWS: EUROPE

Lithuania averts political crisis

By John Lloyd in Vilnius

THE government of Mr Gediminas Vagnorius, the Lithuanian prime minister, narrowly survived a vote on his resignation on Tuesday night and will now continue to govern until elections timed for

Mr Vagnorius has claimed that the bitterly-divided parliament has prevented the pass ing of urgent laws and has been unable to agree a new constitution for the country.

At the same time, the failure of Mr Vytautas Landsbergis, the chairman of the Lithuanian Supreme Council to get support in a referendum last month for the reintroduction of the office of president has weakened his authority and that of the right-wing government which he appointed.

Ministers said yesterday that

the presidency or on the constitution for some months. At least four versions of a constitution are now drawn up, with their authors being split between options which call for a strong presidency - favoured by Mr Landsbergis - and those which call for a strong parliament, favoured by the opposi-

tion groups on the left.

Mr Algirdas Saudargas, the foreign minister, said that "we have no stable majority in parliament but the left-wing is also divided. They don't really want to govern, so we will

Lithuania, like Estonia and Latvia has so far been unable to persuade the Russian goverument to agree to its demands to withdraw the 35,000 Russian - formerly Soviet - troops from its territory. A meeting between Mr Landsbergis and Mr Boris YeltMoscow at the weekend ended only with a vague promise from Mr Yeltsin to speed up their withdrawal. However, General Pavel Grachev, the Russian defence minister, has

said that the troops will not be

fully withdrawn until 1999.

The politics-weary Lithuamans are being asked to vote again on Sunday on whether or not they wish the Russian army to leave the country - a move aimed at putting further pressure on the Russian government, and also at convincing the west to give further support to the demand for withdrawal. However, the vote is widely seen as unnecessar and potentially damaging

there is a large abstention. Reconomic reform has proceeded rapidly in Lithuania, with 50-60 per cent of flats and many small businesses and shops privatised, and with a claimed 48,000 farms transferred from state to private

Meanwhile, the planned introduction of a stock market on July 1 is likely to be delayed by two months

The introduction of the new

unit of currency, the Lit, has been delayed and will not happen until the end of the year. An economic programme is now being discussed with the IMF, with further negotiations

Mr Vytenis Aleshkaitis, the minister for foreign economic relations and the main economic reformer in the govern ment, said yesterday: "We need a period of stability urgently in order to introduce the new currency and to cope with the eco-nomic shocks associated with

"But I think that the direc tion of policy is now so clear that any government will have

Slovaks rule out talks with Havel

in Prague

THE prospects for successful talks on the future of the Czechoslovak federation faltered again yesterday as the Slovak nationalists roled out a meeting with the Czechoslovak president, Mr Vaclav Havel

Mr Vladimir Meciar, the vak republic and his Czech counterpart, Mr Vaclav Klaus, today in Prague to continue their attempts to agree on a reduced federal state which would bind the Czech and Slovak republics together. They will instead meet without the

Mr Havel's presidential reelection could become the biggest stumbling bloc in negotia-ting a federal structure. Mr Meciar has pledged to bloc the re-election of Mr Havel in the federal parliament after the latter called on voters not to support candidates with "dictato-rial tendencies". But the Czech side has refused to back down on its support for the presi-dent, with Mr Klaus saying it was "the basis for any further negotiations".

A first meeting between Mr Mediar and Mr Klaus on Monday night only revealed the extend to which both men disagree over the future of the country, with Mr Kiaus unamdiguously rejecting the Slovak demands for some sort of eco-nomic and defence union.

Mr Klaus, however, called for the quick formation of a government before July 5 when the presidential election is due in the federal parliament. But Mr Mediar told reporters this scenario was highly unlikely.

According to Mr Meciar, any federal structure would be temporary until a referendum on independence is held in Slovakis, possibly by the end of the year. He also said that a referendum should be initiated by the Slovak parliament and not the federal parliament as the law currently stipulates.

The new Slovak parliament is likely to take a series of Mr Mediar, together with Mr Peter Weiss, leader of the renamed communist party in Slovakia which came out second in last weekend's elections, said they would immediately abolish in the republic the federal law which forbids former high-ranking commu-nist officials and secret police agents from holding public

office for five years. opponents to have removed, in his short spell as Slovak inte-rior minister after the revolution, any incriminating evidence on his relations to the hated secret police.

■ The break-up of Czechoslovakia would probably lead to a significant renegotiation of at least the trade elements of the country's association agree-ment with the European Community, according to a senior Czechoslovak official, writes

Ian Rodger in Basie. "One party to the agreement would no longer exist so we would have to negotiate sepa-rate agreements or else find some *modus vivendi*," Mr Zdenek Drabek, of the federal economics ministry, said. Mr Dra-bek was attending a conference on problems in eastern Europe, sponsored by the Institute for



A worker prepares missiles for loading on a Russian MiG-29 fighter jet at the factory test facility at Lukhovitsy, about 100km south-west of Moscow. Russia hopes to find foreign buyers for the aircraft when it appears at the Berlin air show this week

Ukraine mine deaths fuel anger

By Christia Freeland in Kiev

THE accident on Tuesday at the coalmine in Ukraine, which has claimed at least 55 lives threatens to spark protests against the deteriorating eco nomic conditions in Ukraine by the well-organised Russified miners from the eastern

regions of the country.

The accident, a methane gas fire, was at the Sukhodolska Skhidnia mine in Lubansk, the easternmost region of Ukraine By late yesterday afternoon rescue workers had recovered 55 bodies and expected to find more buried in the deep mine

Before the accident the min ers of the Donbas region had planned to picket the Ukrainian parliament in Kiev and the disaster is likely to add to their anger.

Mr Yuri Bolderov, a dynamic union leader, said that next week the miners would push their demands for greater regional economic autonomy. higher wages, and the remova of the conservative prime min-

Russia's young generals to overhaul the army

Yeltsin in defence shake-up

PRESIDENT Boris Yeltsin yesterday appointed army commanders to top positions in the new Russian defence ministry and called for effective borders with the Baltic republics in an attempt to stop western spies from infiltrating Russia.

In a move going some way to restoring the land forces to their traditionally dominant role, Colonel-General Viktor Dubynin, former commander of Soviet armed forces in Poland, became first deputy defence minister and chief of staff. Colonel-General Valery Mironov, commander of Russian forces in the Baltics, will be deputy minister responsible for personnel and training. The two other new deputy minis-ters are Colonel-General Vladimir Toporov, until now the commander of the Moscow military district, and General Georgy Kondratiev, who has been in charge of the Turkestan military district which cov-

ers all of Central Asia. Since key army commanders Gorbachev, the army's influence has been curtailed with the air force supplying the Commonwealth defence minis-ter, Marshal Yevgeny Shaposhnikov. The Russian defence minister, General Pavel Grachev is a former para-

Apart from loyalty to Presi-dent Yeltsin and their contacts in politically sensitive areas such as the Moscow military district, another trait of the new men is their relative youthfulness, with most in

their late 40s. Illustrating his difficult balancing act in pushing through unpopular economic reforms and keeping conservative forces happy, President Yeltsin told a meeting of top military men that there was no alternative to recent price rises but promised officers an 80 per

cent pay increase. Speaking ahead of a trip to the US next week, during which both sides hope to con-clude fresh cuts in long-range nuclear weapons, he also accused Washington of seeking

tions. Mr Yeltsin assured the top brass that he would resist US attempts to dictate nuclear arms cuts that would strip Moscow of its multiple-war head, land-based missiles, the heart of its force, but leave Washington with potent sea-

"If such a decision is taken, the United States would find itself in a more advantageous position," he told the gathering at the white marble "Russian Pentagon". The existing accord would force the US to cut its arsenal from 12.000 to about 10,000 nuclear warheads and the ex-Soviet states to slash their arsenals from about 10,000 warheads to 8,000.

launched systems.

Both sides are seeking further reductions, with Washington proposing a 4,700 ceiling and Moscow advocating 2,500. He also said in an interview that he had ordered a tightening of borders with the Baltics because their lax entry formalities allowed foreign agents access to Russia. He also said Russia needed a proper border with Azerbaijan because it had

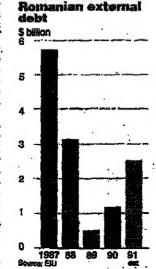
sponsored by the Rast-West Studies. supported the abortive August coup against President Mikhail unilateral advantage over Rusintroduced "visa-free entry ister, Mr Vitold Fokin. sia in current arms negotiafrom Iran and Turkey". Romania emerges from a long winter The economic situation is improving despite political setbacks, writes Virginia Marsh

HE International Monetary Fund's decision last Romania a stand-by credit of \$500m and World Bank agreement on a \$400m loan for 1992-3 are proof that the country's economic situation is improving, even while it continues to struggle with the issue of electoral legislation.

Romania has stabilised considerably since September when three days of miner-led riots in Bucharest toppled Mr Petre Roman's reformist government. In contrast, this winter was marked by an absence of unrest with few work stoppages or popular protests, despite the further erosion of living standards experienced by most Romanians.

Romania has also begun to receive more support from the outside world, after two years of diplomatic isolation. Last month, talks began for Romania's associate membership of the European Community. while the country has recently signed bilateral treaties with Germany, Greece and several former Soviet republics.

Above all, US-Romanian relations have improved, culminat-



ing in last month's visit by Mr Lawrence Eagleburger, deputy secretary of state, the most senior US official to visit Romania since early 1990.

But perhaps the greatest reason for increased optimism is that the government, led since October by Mr Theodor Stolojan, an economist, has begun to tackle economic reform once

more. In recent weeks, the government has unveiled a new economic strategy, drawn up with the help of the IMP, which withheld its final tranche of credit last year.

The immediate goal is to sta-bilise the economy which is performing at below 65 per nt of 1989 levels. More specifically, the new strategy aims to halt the decline in production; control inflation which has averaged more than 14 per cent per month so far this year; and build up the country's gold and hard currency reserves, currently at a little below \$1bn, ahead of next winter's fuel imports which this year cost the country around \$500m per

So far, the government appears to be putting its strategy into practice, albeit slowly. In the past month the national bank has raised interest rates from 28 per cent to 80 per cent. ended restrictions on companies' hard currency holdings and begun to devalue the leu, the national currency.

However, while Romania's position has undoubtedly improved, any optimism is tempered by a look to the

immediate future. Rising cant upture in foreign investunemployment is liable to increase social tensions. As the government admits, its anti-inflationary policies will at least double unemployment to more than im, or around 12 per cent of the workforce, by the end of the year. For many Romanians, with average real incomes already reduced by more than 30 per cent since 1989, the months ahead will be even more difficult.

n the meantime, the politi-

cal outlook is discouraging. A dispute between the government and parliament over the timing of general elections (which should have been held before May 20) resulted this week in a parliamentary rejection of electoral legislation. Romania is now unlikely to hold elections before October. The decision comes as a blow to Mr Stolojan, a non-partisan, caretaker prime minister, who has won support for his economic policies but has been unable to convince an increasingly divided parliament of the need for electoral legislation.

Until elections take place,

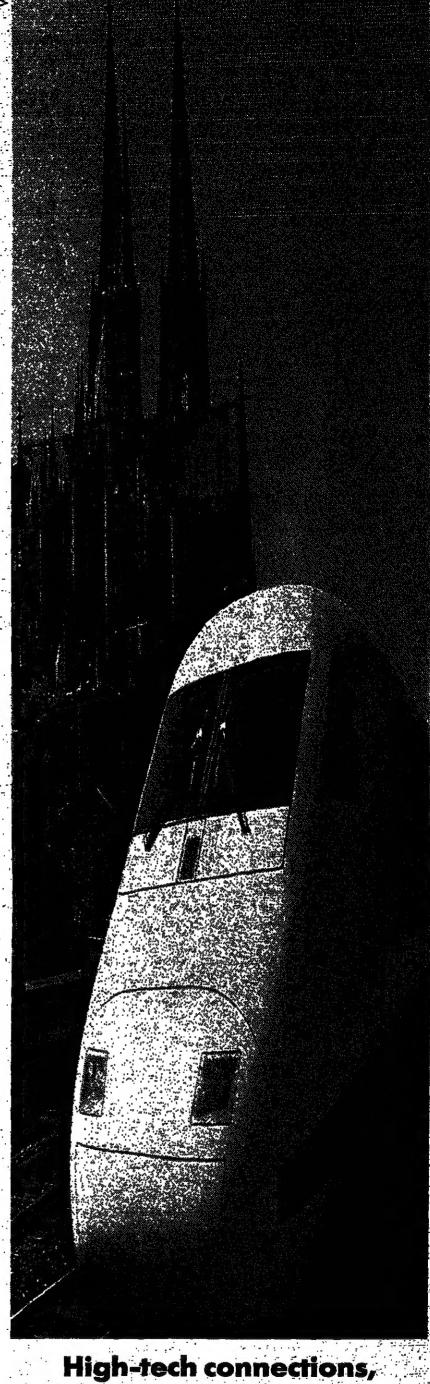
there is unlikely to be a signifi-

ment, which on March 31 had only reached \$188m in the period since January 1990. Nor are donor countries expected to pay up pledged credits and aid more than \$2bn for 1992, money the country desperately needs to undertake further At the same time, parlia-

ment's in-fighting has held up legislation critical for reform. The country is still without an adequate bankruptcy law or legislation to re-establish a stock exchange, while delays in passing new foreign investment regulations are holding up an important exploration deal involving four western oil

Meanwhile, Mr Stolojan, who is not expected to stay in politics, courageously soldiers on. He says he is imp lementing his strategy ahead of the elections because it represents the only course of action available. But the questions remain.

Future governments, faced with one of eastern Europe's weakest economies and high unemployment, may not have the strength to continue what



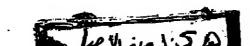
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US allowed

Malaysian

arms sales

THE Bush administration gave

its approval in November 1989

to Indonesian government

arms sales to Iraq, according to a declassified State Depart-

ment cable made public in

Congress yesterday.

The cable is the first confir-

mation that the US gave

explicit approval to allies to

sell arms to Iraq, while Washington was ostensibly operat-

ing an embargo against Bagh-

dad. The cable was sent to

instruct a US envoy who was

nesian minister over Jakarta's

wish to sell French Super-

The cable, which was classi-

fied secret and sent by Mr Law-rence Eagleburger, the deputy

secretary of state, says:

"Although the US severely lim-

its the sale of our own muni-

tions-list items to Iraq, we have

not had a policy of discouraging other countries' arms sales to Iraq. Such a policy is in effect with regard to Iran."

Mr Sam Geidenson, a Democratic on the House foreign

affairs committee, yesterday released the cable along with

into US relations with Iraq.

Puma helicopters to Iraq.

to hold a meeting with an Indo-

to Iraq

By Alan Friedman In New York

THE EARTH SUMMIT

Eleventh hour struggle over environment pacts

By David Lascelles and Christina Lamb in

OFFICIALS at the Earth gling to put together agree-ments acceptable to heads of state who arrive in Rio de Janeiro today.

Last-minute negotiations were under way in an effort to complete agreements on a declaration to conserve the world's forests, and financial arrangements to implement the Earth Summit's decisions.

Major compromises seemed likely in both these areas where deep divisions remain between developed and developing countries. Officials said these deals would have to be struck by ministers, with the summit likely to end with a Mr Michael Young, a US State the Group of 77 Third World Department official said: "The countries, said the G77 had goal is to complete everything by tonight. That goal is in

Despite talks until 4am yes-

terday, officials were unable to agree a financial package to help Third World countries deal with their environmental problems. The main issues are the terms on which industrial countries should commit them-selves to raising their aid budgets to 0.7 per cent of GNP, the replenishment of the International Development Associa-tion (IDA) through which the World Bank helps the poorest countries, and conditions for loans from the Global Environment Facility (GEF), a fund jointly administered by the UN

and the World Bank. Mr Jamshed Marker, the Pakistani official who chairs

accepted the new draft, with the exception of three points which would have to go to

Among the industrial coun tries, Japan, which has hinted that it is preparing a hig financial package for the summit, has taken a tough line on refusing to commit itself to a timetable for the 0.7 per cent target, and has been insisting on GEF conditions.

Mr John Major, the British prime minister, will announce to the summit how much the UK will contribute, said a UK

centre on how far countries' sovereign rights extend, certain trade issues, and whether a treaty on forest conservation

Last-ditch battle over convention on forests

HE most emotional con-flict at the Earth Summit has been over the world's dwindling forests. Before the conference, plans for a forest convention had to be dropped and last-minute negotiations were still under way yesterday on a set of "for-est principles" for conservation and management. Even if agreement is

reached, environmentalists complain that this would not be binding and would not halt Also, there seems unlikely to

be any commitment to a future

The crux of the debate is tropical forests and a sharp difference in how they are viewed by north and south. Industrialised nations tend

to see them in environmental terms as a trove of biodiversity and greenhouse gas "sinks that absorb carbon dioxide and thus reduce global warming. Developing countries tend to see them in economic terms as a trove of resources, such as a free source of fuel, valuable tropical woods and potential

Malaysia, which has led resistance by the Group of 77 developing countries to a conests are so important, then the north must pay to preserve them, pointing out that the first world has already destroyed most of its forests.

With plans to log up to 50 per cent of its forests by the end of the decade, Malaysia is hardly disinterested.

Mr Lim Keng Yaik, its pri-mary industries minister, says: "This is the first time in any multilateral negotiations I've seen the poor south being asked to support the rich north. Well, I'm poor and need my forests to get on in life so, if you want them, you must pay - and give me technology

est line, while officials from Brazil, which has the world's largest forest, insist they will only agree to a convention if it includes other areas such as temperate forests, deserts, marine estuaries, mountains and savannahs.

All OECD countries and Russia favour a strong declaration on forests, with a commitment to a future convention, but the US delegation is leading the charge. It is anxious to show its green credentials in at least

Christina Lamb finds deep

divisions over how to conserve the world's dwindling tree cover

thing for President George Bush to sign when he arrives

Mr William Reilly, head of the Environmental Protection Agency, says: "The principal priority of the US at this conference is in better management and conservation of the

Last week, Mr Bush announced a \$150m annual grant for forests, and the US moved to curb clear-cutting in its own forests, but the initiative was interpreted as a distraction from its refusal to sign the biodiversity treaty. Environmentalists even say that US support on forests is proving a liability because of its status as

the villain of the summit. Moreover, the US is now trying to link its financial support for Agenda 21, the central summit declaration on environmental principles, and signing of the Rio Declaration to the commitment of G77 countries to a forest convention.

issues are inter-linked". Environmentalists want the issue resolved urgently because forest cover has been reduced by a third from its original extent. Over the last four decades, de-forestation has accelerated sharply, especially in developing countries, which have 60 per cent of remaining world forest cover.

Tropical forests are disappearing at the rate of 17m hectares a year, according to FAO statistics. This not only adds to global warming, soll erosion and flooding, but, because 50.75 per cent of all species of plants and animals live in tropical rainforests and most are yet to be identified, this means species are being lost even before being identified by humanity: So contentious is the issue that, until this week, it seemed

that even the forest principles would not be agreed to. With 10 per cent of the world's forest and a 25 per cent share in the \$100bn world timber trade, Canada has been playing a vital mediating role.

Mr Jag Maini from the Cana-

dian environment ministry, explains: "For us, forests have both an economic and environmental role because Canadian forestry represents a \$55bn

Disagreement remains on the issue of trade and the ability of countries to take unilateral action, such as boycotts of timber products, as well as commitment to a future conven-

Mr Robert Buschbacher of the Worldwide Fund for Nature says: "The declaration is weaker than some existing international agreements. It is a huge missed opportunity to protect the world's forests." Mr Maini is less pessimistic: "It's a very complicated issue and the forest principles are at least a start. I see them like the

lie and cheat a little but

Bush courts disaster in Rio

By George Grahan in Washington

WHEN US President George Bush arrives in Rio de Janeiro today he could be embarking on his biggest public relations disaster since his accident-rid den trip to Japan in January. It was only just over a month ago that Mr Bush

decided to go. White House advisers feared all along he could only lose, whether he went to Rio or not. But the administration used the threat of the president's absence to force concessions from other nations on the summit's con-vention on climate change.

Yet in agreeing the presi-dent should attend, Mr Bush's advisers appear to have under-estimated the extent of US isolation on almost every item on the agenda - not only the climate change convention, but also a biodiversity agreement which Mr Bush refuses to sign, and even the declaration of

US officials tried to take the offensive this week to pave the way for the president's arrival. They claimed the US record on the environment was far better than those of many of its critics, and attacked Japan and Germany for bowing to a

"guilty developed world logic". One senior US negotiator assailed both developing and developed countries for putting rhetoric before action, and claimed one European diplomat had told him his country would sign the Rio conven-tions because it did not take them seriously. These countries need a shot across the bow. They are taking a holier than thou attitude when they have records nowhere near as

good as ours," he said. The US spends nearly \$130bn (£71.4bn) a year on pollution control, or about 2 per cent of gross domestic product - sub stantially more than most other developed countries.

The US has also achieved rable reductions in pollutant output. Lead emissions have been cut from 163,600 townes in 1970 to 2,200 townes in 1990, while carbon monoxide emissions have been nearly halved over the same period. But the US, with its high

THE centrepiece of the
Riocentro is a
20-foot red and
white sculpture entitled

Plant Paradise Regained,

made entirely of recycled alu-minium. But the monument

has proved something of a

headache. British sculptress

Edwina Sandys made it at the

invitation of the UN Develop-

ment Programme, and the hope was that some kindly

sponsor would foot the bill.

Rebuke for

Brazil over

forced labour

ment to step up its efforts "to end the existence of appalling

labour conditions", cited in a

damning report on the extent of what is often near-slavery.

The report said thousands of

men, women and young chil-dren were forced to work in

reports from Geneva.



George Bush: his trip could emerge as a huge public relations disaster

energy consumption, still contributes more to global pollution, both per capita and in absolute terms, than other

Details of environmental policy, however, have been largely eclipsed domestically by a black and white perception of the conflict between the environment and employ-ment – a perception height-ened both by the persistent sluggishness of the US economy and the imminent US

Mr William Reilly, adminis-

Ms Sandys is now about \$75,000 (£41,200) out of pocket.

She is still hoping to find a commercial backer so that the

piece can stay in Rio as a

Summit participants are taking great national pride in the

decor of their negotiating cubi-

cles. The FT prize for the most

imaginatively decorated office

goes to Senegal, with its ele-gantly arranged swathes of colourful batik. The Japanese

box is, of course, the biggest

and best-equipped. The Malay-

trator of the Environmental Protection Agency and the US's chief delegate to the Rio conference, has often been a lonely advocate within the Bush administration of environmental protection.

In recent months, however, his position has come under sustained attack, especially from the Council on Competitiveness, a pro-business com-mittee chaired by Vice-President Dan Quayle that works behind the scenes to influence administration policies and

flowers and have the best cof-

The delegation from Bot-

swana has an impressive array

of tropical plants and the

slickest public relations

A special award goes to the

British as the most organised

party; there is always someone available for a briefing, even if

the receptionist is rather fero-

The Saudis have strong car-

pets on the walls along with pictures of King Fahd. A pic-ture of Saddam Hussein domi-

nates the Iraqi box. The Chi-

nese have covered their away.

last week with the leaking of a memorandum in which Mr Reilly sought backing for a final attempt to change the hiodiversity treaty in such a way that the US could sign it. With Mr Bush promised a

hostile reception in Rio, the White House has scheduled a brief visit to Panama, presum-ably in a bid to remind US voters that it was Mr Bush who freed the country of General Manuel Noriega, its for-mer military dictator. This is unlikely to be enough to dis-

cubicle with uninspiring infor-mation posters. The Brazilians

are commended for their

friendliness and constant sup-

The Russians are almost

invisible, while absentees

include Tajikistan, Ukraine,

Turkmenistan, Croatia and

is also still empty.

The booby prize goes to the

US, which rents a tiny unde-

corated box which would fit 20

times into the Japanese cubi-

American delegates prefer to spend time and hold briefings

in the Sheraton hotel, 15 miles

Moldova. The Afghanistan box

ply of coffee.

was sent less than nine months before Mr Saddam Hussein invaded Kuwait and well after the end of the Iran-Iraq war. At the height of the US tilt to Baghdad, in a cable signed in June 1984 by Mr George Shultz, then secretary of state, it was stated that "under present circomstances, in which Iraq is clearly on the defensive and Iran is in little danger of opposing non-US controlled

exports of arms to Iraq, which do not contribute to widening the war' Mr Geidenson vesterday also released a late 1988 State Department memo - entitled Guidelines for US-fraqi Policy. - that seemed to oppose any arms sales to Baghdad, but simultaneously suggested making an exception to the US ban'

Robertson drops bid for UPI

craft and computers.

By Jurek Martin in Washington

REV Pat Robertson, the television evangelist who once had presidential ambitions, will not proceed with his \$6m (£3.2m) takeover of United Press International, the lossridden news agency.

He told a Washington news conference yesterday that a review of UPI's finances and operations had shown that "its economics just don't seem to make sense". He said he might submit a bid for one or two of the company's assets, includ-ing possibly its name, later in the day.

Mr Robertson, who runs the Christian Broadcasting Net-work, emerged as the only bidder for all of UPI at a bankruptcy hearing last month. He was given 30 days to inspect its books, during which time he has been paying the 500 staff

still working at the agency. Advisers had told him he would have to spend about \$31m on UPI over the next 18 months to make the news agency notionally viable, but with no guarantee of commercial success. He noted wryly that his own broadcasting company had recently dropped UPT's service in favour of Asso-

There had been speculation that Mr Robertson might use UPI as a vehicle for proselytising his fundamentalist beliefs, a prospect which alarmed Kyodo, the Japanese news wire

In the Rio negotiations them-selves, India is taking the hard-day: "We believe all these in establishing social order." Cuba opens doors wide to foreign investment

Damian Fraser takes a business trip to Havana

attempt to attract foreign capital so as to shore up the island's battered economy. About 125 potential foreign investors arrived in Havana to

be awarded celebrity status by the government. They included officials from subsidiaries of Eastman Kodak, ICI, Philip Morris, American Express and Procter & Gamble, and a large number of US lawyers, some of whom were said to be repre senting camera-shy Cuban-

Eighty of the participants were from the US, although US law forbids them to invest in Cuba. This prompted one delegate to suggest the Cubans were unwittingly making arrangements for life after President Fidel Castro.

We can't invest now, but we need to be ready in case Fidel goes," one US visitor said. The visitors were to meet the

foreign trade minister, the national bank president and senior officials from their The investors had been

briefed on Tuesday, by other government officials at the Mexican resort of Cancún, as part of the conference on investment in Cuba organised by Euromoney magazine.

per cent of an enterprise could be partially lifted. "It is", said Mr Oscar Alfonso Montalvan, of the state committee for economic co-operation, "a socialist opening for a capitalist world." Cuba claims to have received

about \$400m to \$500m (£217m-£271m) in foreign investment last year, mainly in hig hotels built by, among others, the Spanish company Grupo Sol. r Ernesto Meléndez

Bach, of the eco-nomic co-operation committee, said that due to this, Cuba would attract 1m tourists in 1995, up from 500,000 this year and 250,000 in 1988. He said that the typical foreign tourism developer in Cuba recovered his investment in 3½ years. Mr Meléndez and other offi-

cials said Cuba was open to investment in oil exploration, nickel, capital goods, textiles and agriculture, and could refine oil for foreigners.

The government says it has given individual state enterprises authority to make most of the decisions in their sector, in an attempt to ease bureaucracy in foreign investment. Mr Orlando Hernandez Guillén, commercial director at

the foreign trade ministry,

HE Cuban government almost all foreign investment claimed that, for example, yesterday stepped up its was welcome, and that rules to approval to set up a textile factory in Cuba would take a approval to set up a textile facmere 25-30 days. Mr Raúl Amado Blanco,

Bank of Cuba vice-president. said Cuba would consider debt-equity swaps to attract foreign capital, although he emphasised that fresh money would have to be part of any such arrangement. Cuba is in default on some \$6.5bn of its foreign debt. Mr Blanco said there were "possibilities for fruitful dialogue" with banks on the debt, but there remained an impasse between Cubs and its official creditors. Foreign investment is now seen as the last hope for Cuba, whose gross domestic product dropped by 25-30 per cent last year after the collapse of trade with the former Soviet Union.

The potential foreign investors seemed unsure what to make of Cuba's overtures. One fund manager enthused: "Cuba is following the China model.
We could easily have closedend investment trusts with
joint ventures with Cuban
partners that would trade in non-American stockmarkets." A time-share tourism devel-oper from Miami was not so

sure: "Right now, all we have

heard is that they want our

money. But what about legal certainty? Can they buy you

out when they want?"

mines and on the land in Brazil, facing punishment and even death if they try to The ILO's Committee on the Application of Standards said it recognised the problems in enforcing labour laws in

remote parts of the country, but said the government should do more to stop the violations and punish the guilty.
Officials said the use of the word "appalling" in the com-mittee's conclusions was exceptionally strong.

Mr Ken Thomas, trade union spokesman on the committee,

> The report detailed allega-tions that Brazilians hired to work arrive at their destinafrom home, to find they have been charged for transporta-tion and that the wages are lower than promised.

lescribed the situation in Bra-

zil as an "international dis-

Bolivia puts 60 companies up for first privatisations

A monument to reluctant sponsorship

factories, for sale.

THE International Labour Organisation yesterday issued an unusually stern rebuke to Brazil for failure to implement BOLIVIA launched its laws against forced labour, AP privatisation programme this eek by ear-marking more A special ILO committee urged the Brazilian governthan 60 enterprises, ranging from cotton mills to cement

> Mr Samuel Doria Medina, planning minister, said he hoped the first stage of the privatisation - which will involve selling 33 of the 60 will bring in some \$60m. The privatisation bill was before the legislature for two

> The launch of the proramme follows a decision of the Bolivian supreme court that privatising state enter-prises, some of which have been in state hands since nationalisation after the 1952

> revolution, was constitutional.
> The confederation of Boli-

ing widespread industrial action in a bid to halt the pro-

Mr Doria said several privatisation mechanisms would be used, including employee share offers, asset sales, leasing, private capital investments and share offers on Bolivia's small stock exchange. The minister added: "The state does not have the

resources to invest in these companies. The only criteria which will determine their sale will be price. Mechanisms will be put in place to avoid doubtful practices and corruption." The government has shrunk from privatising the country's most attractive assets, which are in its natural resources of metals and oil. Privatising

these sectors remains unconstitutional and the government has opted for joint-venture

to go under the hammer is an edible-oil factory at Rafael Deheza, now operating at 6 per cent capacity and losing money. Mr Doria believes the plant could be turned around with an investment of less than \$1m. The government acknowledges that many of the 60 or so enterprises for sale are already

The first Bolivian enterprise

closed for want of adequate investment; others are func-tioning at far below maximum productive capacity.

Despite the modest expected

revenues, the privatisations are seen as having symbolic importance, as a start in the attempt to diminish the size of the state sector while convincing Bolivia's foreign creditors that the government is firmly wedded to a liberal economic

service and the agency's largest remaining client Peruvian police capture guerrilla leader

By Sally Bowen in Lima

MR Victor Polay Campos, leader of Peru's second-largest guerrilla group, has been captured in a Lima suburb. His arrest is a much-needed boost for the anti-terrorist police and a relief for the government, which this week introduced a night-time traffic curfew in the capital following

tepped-up terrorist activity. Mr Polay is head of the Tupac Amaru Revolutionary Movement (MRTA), a proCuban group which has operated in Peru since the mid-1980s. It has periodically vied with the hard-line Maoist Sendero Luminoso (Shining Path) for domination of areas of Peru's coca-rich northern jungle. The group was particularly active in Lima during the Gulf war, attacking USaffiliated installations and businesses.

MRTA activity has fallen in the past few years. This further blow to the organisa-tion will please Peruvian businessmen; it financed its well-equipped forces through

kidnap and extortion rackets in which thousands of legitimate businesses paid. "quotas" to support the revolution.
Less ruthless than Sendero, the MRTA
has nevertheless been responsible for hundreds of deaths and millions of dollars' worth of damage in bomb attacks.

ciated Press.

Mr Polay was first captured in 1989 but, in July 1990, he escaped from a high-security prison, with 47 other MRTA prisoners. He was formerly a friend and party colleague of ex-President Alan García.

other documents illustrating the US "tilt" to Iraq, both before and after the August 1988 conclusion of the war between Baghdad and Tehran. Mr Gejdenson, who yesterday claimed that Mr James Baker, secretary of state, had withheld documents from his congressional investigation stressed the Eagleburger cable

on weapons sales by allowing the sale of C-130 transport air-社会であった。 THE LANGUAGE STREET 2 264 (- 17) (- 12) (- 12) 2000 1000 - 1000 2000 1000 - 1000

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Mexico faces hard choice in keeping oil out of Nafta

In the first of a series on the North American free trade area, Damian Fraser looks at the effect of the proposed pact on the Mexican oil industry



Argentina, and the ex-Soviet Union all opening up oil exploration to foreign companies, Mexico's

reform-minded government might be expected to do the same. But wary of tackling Mexico's most potent nationalist symbol, the govern-ment insists that the North American Free Trade Agreement (Nafta) will not allow foreign exploration of Mexican oil, nor lead to the privatisa-tion of Petreleos Mexicanos

President Carlos Salinas at Pemex's recent 54th anniversary was clear enough: "The property of oil stays uniquely and firmly under the control of the Mexican state". Mexican trade negotiators have repeated this so often, that there can be little doubt that risk, or wildcat, contracts will

The US, sensitive to Mexican nationalist sentiment, has in any case stopped short of demanding changes that would

WITH Cuba, Pemex to produce plans for radical reform following the Guadalajara gas explosion in which more than 200 people died. The company is likely to be broken up into subsidiary companies looking after areas such as exploration, refining and gas sales, with the core company operating as a giant contractor. While the government does not intend to sell Pemex, at least in the short term, the reform is likely to lead Pemex to contract out much more work to foreign

> in the meantime, the US is eyeing other opportunities. The petrochemicals industry is calling for direct investment in Mexico's basic petrochemicals; the gas and oil companies want to sell gas and refined products to the Mexican end-user; contract companies want to make it easier to sell Pernex equip-ment, and to carry out drilling and other services. The US government may also want a secure oil supply from Mexico guaranteed. Pemex has bauked at such demands, but the Mexican government will plans to turn Pemex into a modern and lean oil company,

Plans to modernise Pemex pre-date the latest reform programme as well as negotiations over Nafta. The government cut the number of petrochemicals reserved to the state to 19 in 1989, and has made clear the number will be cut further after Nafta is signed.

Likewise, Pemez has already

decided to follow the path the big oil independents took in the 1960s and contract out drilling work to specialist companies. These turn-key projects, to be financed by a \$1.3bn loan. from the US Eximbank, do not break Mexico's constitution, since the company's payment does not depend on the amount of oil found. The first such project was awarded to Triton International last spring, which drilled into the ocean in a record 127 days, half Pemex's normal time. Since then, EPN Sonat, a joint venture between Sonat of the US and the Mexican EPN Arval has won two contracts worth \$100m to drill six wells in the Bay of Cam-

The turn-key projects will not attract the big US oil com-panies, who rarely do drilling



ter of the American Petroleum Institute in Washington. to the small independent engineering and drilling compa-

nies. Nafta will make such con-

Mud blowing back at a Mexican rig: Pemex is now likely to contract out such work contract work, says Mr Ed Por- tracts easier for US and Cana- Rafael Quijano, of the Petrodian companies by cutting the leum Finance Corporation in paperwork, middlemen, and preference Pemez has in the past shown to Mexican con-Perhaps, above all, says Mr flourish". But given that total

Pemex employee, Nafta will "create an environment in which contract business can

tion and production is \$1.7bn this year, the contract work

Many foreign oil companies still hope Mexico will relax regulations against foreign equity investment, but some time after Nafta is signed. Even by the most pessimistic estimates. Pemex has 30bn barrels of crude equivalent in oil reserves, and thus a production reserve ratio of 21-1, double that in the US.

Pemex's pressing economic problem is not in finding oil, which is what the big oil independents can offer Mexico, but bringing it up to the ground. That kind of work does not require risk contracts.

The US gas producers may have more luck than the big oil independents. Imports of natural gas into Mexico have grown rapidly, because of greater the border, and stiffer environ-

mental regulations.

Demand is expected to continue to rise, which would require substantial investment in new gas pipelines. Mexico may let US companies build the pipes, but this would require changing current regu-

latory law. While Pemex may be unwilling to abandon its monopoly in energy exploration, it desperately needs help in refining

record \$1.25bn of petroleum and petrochemical products last year. It intends to build a new refinery in central Mexico soon, and expand production at existing ones, at a cost, according to Petroleum Intelligence Weekly, of at least \$8bn. Pemex is looking for a foreign partner in building and financing a refinery, although Pemex will

operate the facility. The trouble for Pemex is that little foreign interest has been shown in the schemes Mexico has proposed. Engineering companies do not want to receive payment in refined crude. Oil companies do not want Pemex to operate the final facility, and would like to sell oil they have refined in the Mexican market.

One foreign oil executive suggests that as Mexico's import bill for refined products climbs, the government will open up refining and the sale of refined products to foreign oil companies, some time after Nafta is signed. The Guadala-jara disaster, for which Pemer was blamed, is increasing the

pressure for change. However, opening up explo-ration and production remain difficult, since the property of oil would still remain "firmly in the hands of the state". Further articles on Nafta will appear on this page in coming

West 'blocks exports from Bangladesh'

EFFORTS BY Bangladesh to liberalise its trade regime and boost exports are being handi-capped by trade barriers in rich western countries, the General Agreement on Tariffs and Trade (Gatt) says in a review of the country's trade

Discussing the report yester-day Gettie governing council called for improved access to foreign markets for Bungla-desh's exports, reinfolded by adequate financial and technical assistance", to support con-

tinued trade reform.

The report notes that nontraditional exports such as clothing and frozen fish have 1980s while traditional exports such as jute, leather and tea have stagnated. But Bangladesh's export base remains narrow with these five areas accounting for over 90 per cent of export. Moreover, clothing exports to the west are now subject to quota restrictions under the Multi-Fibre Arrange ment and other bilateral arrangements, and other exports face a variety of tariff and non-tariff barriers.

The Bangladesh government

has been particularly stung by a US decision to impose anti-dumping duties of up to 42 per cent on shop towels from Bangladesh. In 1990 these imports, which are used for wiping machine parts, amounted to a princely \$2.46m.

With few natural resources and a tiny industrial sector. Rangladesh's export income covers only 40 per cent of import needs, leaving 60 per cent to be financed by overseas aid ha 188m people have an average income of less than \$200 a year making Bangla desh one of the poorest of

The Gatt report urges "a more sympathetic external environment" to encourage Bangladesh's export potential nomic liberalisation. elimination of barriers in key export markets" would help to reduce transitional unemployment and balance of payments problems, it says.

Trade reforms begun in 1985 have had some success in reducing protection, encouraging exports and improving eco nomic efficiency, the report adds. But Gatt criticises the Bangladesh government for spending too much propping up loss-making companies.

Doubts surround big Java chemicals plant

CONSTRUCTION of the \$1.6bn (£870m) Chandra Asri olefin (petrochemical) plant in West Java may be delayed by uncer-tainty over the security of a \$550m line of credit from stateowned Bank Bumi Daya (BBD).

The Indonesian government has said BBD's irrevocable letter of credit must not be drawn down, but bankers close to the project say contractors, including Japan's Toyo Engineering, may have to call on the facil-

Uncertainty over the facility is adding to delays finalising the remaining finance, about half the project's total cost, required for the project's completion Bankers say commit-ted finance includes BBD's credit and a further \$212m of loans drawn down as equity for

the project.

Last October the government said Chandra Asri was being postponed until after 1995, although BBD's letter of credit had already been signed and purchase orders made. The decision was part of a government move to cap state finance for large projects prompted by Indonesia's growing interna-

tional debt. The project was first announced in March, 1991, and ackers include the Bimantara Group run by President Suharto's second son, and Mr Prajogo Pangestu, a prominent

Indonesian businessman. Last April, the government gave the project the go-ahead on condition that its cost was reduced to \$1.6bn from \$2.25bn, and that it proceeded under full foreign ownership using

The government said the project's connection with the BBD had to end, and its credit viewed as bridging finance. However, "the text of the (BBD) letter of credit has not

been altered," said one banker. Instead, shareholders have undertaken to government to raise alternative finance if BBD's facility is called on.

This undertaking, however "does not alter BBD's (legal) obligation to pay up," the

In mid-1991, Toyo Engineer ing placed purchase orders and some large items, including turbines, have been supplied Toyo Engineering may soon have to call on BBD's letter of credit, say bankers, and would have to pay almost the full amount to suppliers if equip-

ment cancellations are made The question, of course, is whether the shareholders have any money" to fulfil their undertaking, said a banker.

The Bimantara Group had a turnover last year estimated at Rupiah 2,200bn (\$1,075m) but industry officials say other projects in which it is a shareholder have been delayed by lack of finance.

If the shareholders fail to arrange alternative finance, BBD will be obliged to pay, or breach the loan's covenant.

The government plans to make state banks into limited liability companies, but bankers say failure to pay would be tantamount to breaking a sov-

ereign guarantee.
Although the government has said it will not fund the Chandra Asri project, bankers say it will wish to protect Indonesia's reputation of meeting international obligations.

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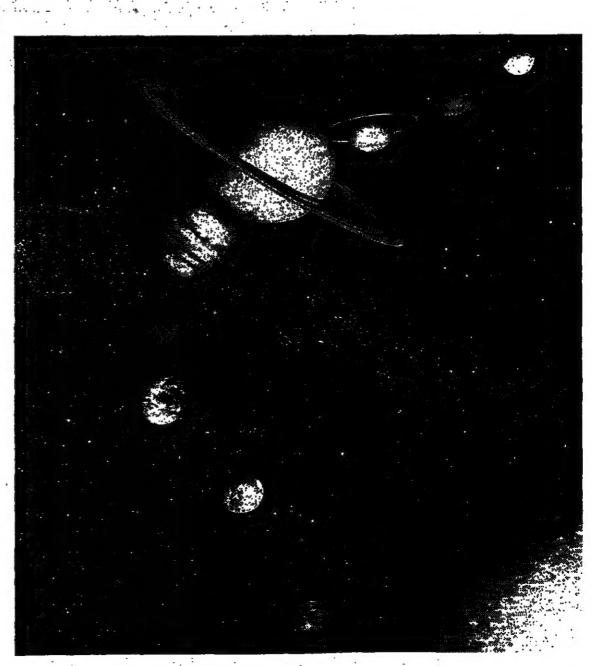
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Civilian named as Thai premier

Ungphakorn in Bangkok

MR ANAND Panyarachun, a respected businessman and former diplomat, was re-appointed as prime minister of Thailand last night by a surprise edict from the royal palace which paves the way for new elec-

The appointment is likely to provide at least a temporary solution to the country's two-month political crisis, which culminated in the shooting of 49 pro-democracy demonstrators by troops last month and the resignation of Gen Suchinda Krapraycon, the previous premier.

"I understand that my main duty will be to organise the elections," Mr Anand said last night. He said that he would probably dissolve the existing parliament in two or three weeks and that his government would last a total of about four months.

He said he would attempt to repair the damage done to the economy by the violence, although it would take time to restore the vulnerable tourism industry. "The economic fundamentals are still strong, so it will not take us very long to improve the local economy," Mr Anand said.

The proposed delay in the dissolu-tion of parliament will allow time for military leaders to testify next week before a committee of MPs investigating the violence.

Yesterday parliament gave final approval to constitutional amendments demanded by the opposition and the demonstrators, including a provision that the premiership be restricted to elected members of parliament. Mr Anand has not been elected and the amendments will become law as soon as they are printed in the royal gazette.

Opposition politicians want to reduce permanently the influence of the military in politics, but they fear that new elections will not necessarily overturn the pro-military majority in parliament. Vote-buying is common in

Mr Anand said Mr Arthit Urairat, the speaker of parliament, telephoned him at 5.30pm Bangkok time yesterday and asked him to be prime minister to break a political deadlock: the governing coalition of pro-military parties were backing a candidate unacceptable to the Thai people, while the opposition was supporting an acceptable candidate but did not have enough seats.

In a statement released later, Mr

Arthit said Thalland was facing a crisis and the appointment of a poorly chosen prime minister "is a decision which could lead to violence and catastrophe". He said his solution would return sovereignty to the people. "I have carefully considered the



Thai demonstrators display pictures of victims of last month's military crackdown yesterday in Bangkok

situation," he said, "For all parties to compromise and for democracy to prosper I propose Anand Panyarachun." It was unclear whether the surprise appointment had been initi-

ated by the speaker or the king. Shortly before the announcement Air Chief Marshal Somboon Rahong, the controversial pro-military candi-

date whose appointment could have led to renewed demonstrations, told reporters that he would be the new prime minister. A celebration party was even being

prepared at his house. Air Chief Marshal Somboon, however, said after hearing of Mr Anand's appointment that he was relieved that a burden

had been lifted from his shoulders. "I

am really happy," he said. Mr Anand won praise from foreign investors and local businessmen for economic reforms and a drive against corruption in his year-long tenure as prime minister between the military coup d'état of February 1991 and the elections in March this year.

Khmer Rouge raise threat to UN peace plan

KHMER Rouge guerrillas have told the United Nations they will refuse to co-operate fully with a UN plan to bring democracy to Cambodia, throwing the peace process into doubt three days before the country's various armies are due to start regrouping their forces and handing over their weapons.

"This constitutes a clear breach of the (October 1991) Paris agreement, and is therefore extremely unacceptable," Mr Yasushi Akashi, head of the UN Transitional Authority,

(Untac) said yesterday. The letter sent to Mr Akashi by the Khmer Rouge announcing its refusal to allow Untac forces into Khmer Rouge areas to monitor the cantonment was the culmination of weeks of obstructive tactics. The organisation murdered 1m Cambodians during its rule over the country between 1975 and the Vietnamese invasion of 1978.

Khmer Rouge leaders claim that they cannot co-operate fully with the UN until they are sure that there are no Viet-

UN officials and various governments have appealed to China and Thailand, the main backers of the Khmer Rouge, to persuade them to co-operate with the UN plan, which is supposed to lead to elections in less than a year.

Mr Akashi said the cantonment of forces would proceed as scheduled from June 13, although it would begin only in selected areas to avoid endangering the security of the other three factions. At least one of the factions said it could not regroup its forces unless the Khmer Rouge did likewise.

The Khmer Rouge letter comes at a critical time for the peace plan, but Mr Gareth Evans, the Australian foreign minister, described it yesterday as "brinksmanship" and "more in the nature of huff and puff than a very real threat to the process". It is not clear, however, what the UN can do to enforce Khmer Rouge compliance in the immediate future other than issue a stern statement through the Security

HK airport a 'robust business'

By Simon Holberton in Hong Kong

THE Hong Kong government yesterday released figures showing that the colony's proposed airport will be a "very robust business? from its pening in 1997, as discussions with China over the financing of the project are elevated to prime ministerial level.

The airport's revenue is forecast to reach HK\$22.7bn (£1.6hm) by 2010 - enough to provide operating profits of HK\$10.4bm after recurrent capital expenditure and taxation, the government said.

Officials said the release of further financial information. coincided with a meeting between Mr John Major, Britain's prime minister, and Li Peng, his Chinese counterpart, in Rio de Janeiro today. Mr Major is expected to raise with LI China's procrestination about airport financ-

the two premiers can achieve a breakthrough where diplomatic channels have failed. Officials are concerned that China's failure to approve the financing for the new airport

ing. Hong Kong officials hope

may cause its already tight construction schedule to slip.

Li told Lord Wilson, the colony's retiring governor, ear-lier this week in Beijing that China supported the new airport project and was keen to see it built on time. However, discussions with the Chinese about the financing of the airport and related projects are

now in their third mouth. A memorandum Britain and China signed last September specified talks should take only one month. Hong Kong officials need China's assent to the plans before they are put to the local legislature before it rises in late July.

That respects

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Indonesian ruling party keeps power

By William Keeling in Jakarta

INDONESIA'S ruling Golkar party has retained power with a slightly reduced majority from Tuesday's parliamentary election, with provisional fig ures indicating that its support has fallen 6 per cent from the 1987 result

Golkar has captured 67 per cent of the 91m votes counted so far, compared to the 73 per cent it won five years ago. About 107m people were eligi-ble to vote and the turnout was expected to be more than 90 per cent.

The United Development Party (PPP), a loose coalition of Moslem groups, has taken 17.5 per cent of the vote, up from the 16 per cent in 1967. The nationalist Indonesian Democratic Party (PDI) benefited most from reduced Golkar support, increasing its vote from 11 per cent to just over 15

Golkar's clean victory in an election free of violence has been welcomed by Jakarta's financial community. One foreign broker noted that "the market was especially strong, a clear sign of foreign investor confidence".

With Golkar enjoying almost the total support of the country's 4m civil servants and much of the business community, the election was destined to be a one-sided con-

Mr Rachmat Witoelar, secretary-general of Golkar, admitted: "There is a distinct advantage of having cadres who are well-off", although he denied that Golkar has spent Rp90bn (£24m) on the cam-

Golkar won in all of Indonesia's 27 provinces, including the disputed territory of East

New Japanese store ponders vanishing customers

By Emiko Terazono in Tokyo

EIGHT HUNDRED employees and only 100 customers yesterday attended the grand opening of Japan's largest department store.

Conceived at the height of the 1980s economic boom, the Tobu company's Y100bn

PAPUA New Guinea (PNG)

yesterday warned foreign gov-

ernments and environmental

organisations to stay out of a

controversy over the impact of

mining on its river systems

The warning followed reve-lations that Mr Paul Keating,

the Australian Prime Minister.

delivered a letter during an

official visit in April which

criticised environmental stan-

dards at the Ok Tedi copper

The mine has been strongly

criticised by local politicians in PNG's remote western prov-

ince, close to the border with

Indonesian Irian Java, The

provincial government has

threatened to close the mine,

but has not yet carried out its threat.
Ok Tedi Mining (OTML), the company which operates the

mine, claims any environmen

tal damage which has occurred

is outweighed by the economic benefit to PNG of substantial

gold and copper production. OTML is owned by BHP, (30

per cent), the PNG government

(20 per cent) and a group of smaller shareholders. The

mine is operated under an

environmental agreement between OTML and the central

and coastal waters.

and gold mine.

opened its doors amid the steepest fall in consumer spending since the 1960s.

Cheer leaders and a brass band were on hand as white-

gloved Tobu directors, led by the company president, simul-taneously cut the red-andfell 2 per cent from a year ago, after a 4.1 per cent drop in March, the worst fall since 1965. Some economists predict no upturn in consumer spending until spring next year.

Moreover, department stores, already hit by a sharp fall in sales of luxury items,

are finding customers are switching from high-margin goods with famous labels to non-branded products which offer retailers smaller profits.

Tobu certainly expected to

see more customers on the first day - 90 policemen and 95 security guards were on duty during the ceremony yesearly twenties, at the head of the queue at the main entrance, said he had arrived two hours before the 9 am ceremony to be in front of the crowds. In the event, he need hardly have bothered.

Tobu expects to cover invest-

five years. For the year to next June, it expects sales of the new Ikebukuro store to total Y180bn. However, most customers browsing through the store yesterday failed to contribute to revenues. A middleaged woman who walked around the store finally left

PNG warns on mining We Thrive on Challenge interference By Kevin Brown in Sydney

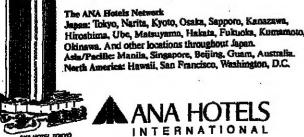


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WALES

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Libyan press assails Gadaffi over Arab ties

LIBYA'S official press has launched unprecedented criticism of Colonel Muammer Gadaffi's relations with fellow Arabs, and in an extraordinary twist has called for better rela-

tions with the US.

For the first time since he came to power in a 1969 bloodless coup, the idiosyncratic Col Gadafi has been upbraided in the official Al Jamhariya or "State of the Masses" newspaper - mouthpiece of the

"We say to you, you are free, go alone to your Arabism and your Islamic links. As for us, we have America. It is much better for us to co-operate with America than with all the Arabs because we have realised that our own interests are above all else," the Libyan news agency, JANA, quoted the tent are realists.

the paper as saying.
Libya-watchers believe that
the criticism may have been
orchestrated to provide Col
Gadaffi with room for manoeuvre on the eve of a meeting
this weekend of Libya's General People's Congress, or par-

Col Gadaffi has said repeatedly that it would be up to the parliament to decide whether to yield to either the US or Britain two Libyans accused of the 1988 bombing of an American airliner over Lockerbie in Scotland in which 271 people

Calls for the Libyan leader to distance himself from his brother Arabs may also reflect intense disappointment at the decision of Arab regimes to fall into line with United Nations sanctions.

In April, following Libya's refusal to hand over the two men accused of the Lockerbie bombing, the UN Security Council implemented a sanctions package which included a suspension of air links and a thinning of Libyan diplomatic personnel abroad. The Arabs complied with the air

embargo.
Col Gadaffi, who expressed great admiration for the late Egyptian leader Gamal Abdel Nasser, has put Arab unity at the centre of his ideology, and has frequently proposed union with surrounding countries. It is unclear whether the Al

It is unclear whether the Al Jamhariya commentary might herald a change in policy, but its criticism of the Arabs was unambiguous. It charged them with having shunned Libya

Tony Walker reports from Cairo on a new twist in Libyan policy

and laughing at it while taking part in a "murder by instalments" through UN sanctions.
"We ask you what benefit did we get from our Arabism with the Arabs asking you to hand over our sons to the enemy and to obey Western demands and decisions," the paper said.

"... We ask you why do Arab workers benefit from Libyan oil... the Libyan oil should go to American workers if they benefit us or if we benefit from them... this is better than Arabism and Islam."

Libya is also being pressed to co-operate in investigations into the 1989 downing of a French UTA flight on its way from Brazzaville to Paris, in which all 171 passengers and crew were killed. France wants to question four Libyans in connection with the UTA bombing, including Col Gadaffi's brother-in-law.

JANA also reported on Tuesday that it had been taken over by "revolutionary forces", and that the agency's director had been dismissed. A commentary accused the previous management of purveying disinformation and attempting to "ridicule the people in the guise of slogans on Arabism and learn."

"Henceforth JANA will be managed by the conscious revolutionary forces which know their interests and those of the Libyans," the JANA statement



Afghan children wait in line for food by the gate of one of Afghanistan's mujahideen headquarters in Kabul yesterday. The recently formed Islamic government has appealed to the international community for immediate relief to counter severe food shortages throughout the country.

Algeria frees Moslem activists

ALGERIA has freed 2,000 suspected Moslem activists from detention centres in the Sahara desert to mark the feast of Eid al-Adha, officials said yesterday. Reuter reports from Algiers.

About 1,200 people have been freed since

About 1,200 people have been freed since March 21, out of the 7,448 detained under a state of emergency declared on February 9, official figures show. The official news agency APS said there would be further releases.

Suspected Moslem activists were rounded up after riots which were blamed on the Islamic Salvation Front (FIS), which was poised to take power in a general election cancelled in January

and has since been banned by court order.

Human rights groups have demanded the closure of the desert detention centres.

Meanwhile, Mr Mohammed Boudiaf, the head of state, has appealed to Algerians to join his Patriotic Rally – a new movement which excludes Moslem radical groups and which the authorities hope will undermine their grassroots

support.

Mr Boudiaf dismissed calls from two leading political parties, the Socialist Forces Front and National Liberation Front; to replace the government with one of national unity.

Israel's politicians seek out the immigrant vote

SRAELI politicians campaigning for the general election on June 23 have taken to stopping in a gigantic caravan park which sprang up a year ago just outside the southern city of Beersheva, on the edge of the Negev desert.

More than 1,000 mobile

the edge of the Negev desert.

More than 1,000 mobile homes stand in the sand at Nahal Beqa, forming a huge staging post for some of the 400,000 immigrants who have arrived in Israel over the past three years.

Since it opened last August, Nahal Beqa has become home to some 5,000 newcomers from the Soviet Union and about one thousand "black Jews" from Ethiopia – interspersed by a few hundred Israeli university students strategically placed to forestall any clashes between people from such diverse cultures.

What new citizens of Nehal Bega - many of whom have a vote - want to hear from politicians is what they will do to create employment that will get them out of their immigrant ghetto into permanent housing and launched on the new fives they are seeking in Israel. "Jobs - that is the most important thing to them," says Mr Adi Habad, site manager.

Mr Adi Habad, site manager.

The impact of immigration has sharpened the issue of the economy in a country where election campaigns tend to be dominated by the big political issues of the Arab-Israeli conflict. With unemployment at record levels and little sign of improvement, the opposition Labour Party has put economic policy high on its list of attacks on the record of the ruling Likud party.

This is not just to attract votes among the immigrants themselves, among whom memployment is running at 40 per cent. Many of Likud's core voters in lower-income "Sephardi," or oriental Jewish, communities have also been feeling the pinch.

Beersheva is a prime example. Some 20,000 immigrants have boosted the population from 113,000 to 135,000 in less than three years. Some 25 per cent of the veteran population are of Moroccan extraction, many living in poor neighbourhoods. Increased public ser-

vices and construction activity have added to employment, but Beersheva has been hampered by industrial stagnation and cuts in big local companies such as Makhteshim Chemicals, an offshoot of the trade union-owned Koor Industries.

In the 1988 election, Likud took 43 per cent of the vote in Beersheva to Labour's 28 per

cent. Local Labour campaign-

erants who have all over the past end last August has become home newcomers from Inion and about di "black Jews" a - interspersed end over the past ers. who are stressing economic themes, are aiming for 35 per cent this time, a figure Hugh Carnegy in Beersheva looks at how the candidates

how the candidates in the coming general election are targeting this southern staging post for newcomers

they say would imply a Labour victory nationwide.

How bad is the state of the economy? Some indicators look pretty healthy. Growth last year was about 6 per cent. Employment grew. So didinvestment and business profitability and productivity. But these mask an underlying picture in which fast population growth has meant negligible per capita growth. According to the Bank of Israel, half of 1991 growth was due to a construction boom which is now over.

"in other industries there are as yet no signs that sustainable growth is about to set in," the bank said. Exports shrank last year, an ominous development for a sector supposed to be the engine of long-term growth. Workforce growth outpaced job creation, leaving unemployment now at a record IL6 per cent. Inflation hovers above 15 per cent. In early 1992, the bank detected a decline in investment and eco-

nomic activity.

Above all, it said, the government did "too little and too heaitantly" to invest heavily in infrastructure cut heavy taxes and government spending and institute reforms such as privatisation of the big state-owned

industrial sector and the banks – which in turn are big industrial owners in Israel.

Labour – having shed its ideological commitment to socialism – now calls for all these prescriptions to be implemented. It says there must be a "re-ordering of priorities" – stressing that the hundreds of millions of dollars spent by the Likud on Jewish settlements in the occupied territories could be redirected to investment in places such as Beersheva.

But the Likud, still proclaim ing itself the party of liberal economics despite its poor record, has a point when it calls into question Labour's new-found market message. Mr Shalom Peri, Labour's campaign manager in Beersheva, makes no hones about what he is promising to voters who have lost their jobs in recent years, "People know the government must come with public investment. The Negev area will never develop through the free economy."

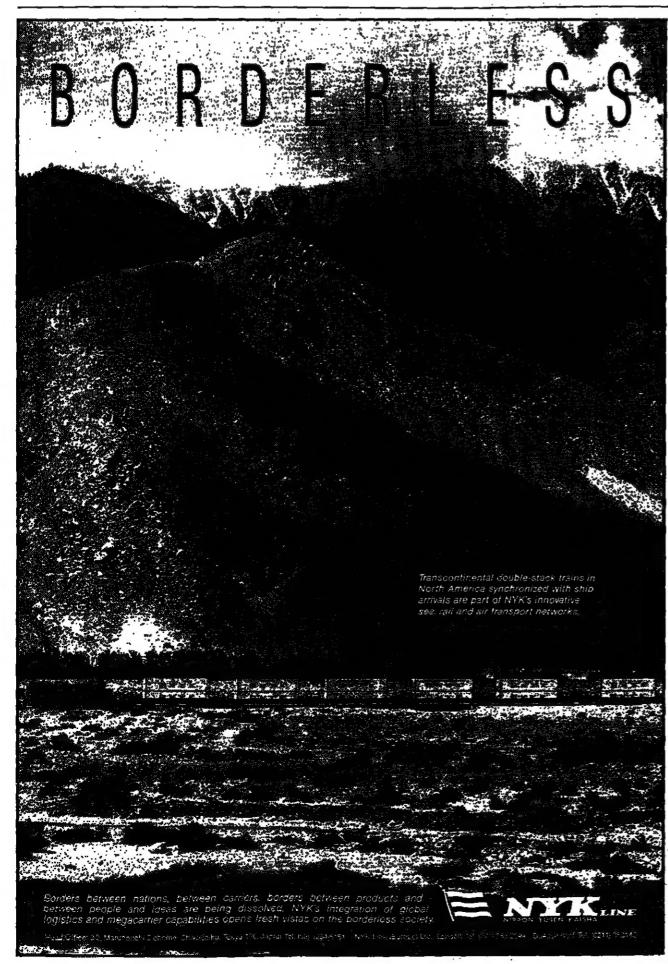
Many Russian immigrants are justifiably cypical about both parties, regarding them as captives of the system and their own vested interests.

hey see Likud as being obsessed with the occupied territories and Labour still tied to the powerful Histadrut trade union federation which has resisted economic reform.

"It is absolutely chaotic. There is no serious progress to absorb the immigrants," says Mr Vladimir Gontar, formerly a laser technology expert in the Soviet Union now working at Beersheva's Ben Gurion University of the Negev. "Not the Likud, nor Labour has a serious programme for a new society based on the new brains which have come here, and that is perhaps the feeling of all the Russians."

attract

Meanwhile, in a severe embarrasment to the government, the message has got back to Jews still living in the former Soviet territories, many of whom have judged that economic prospects in Israel are no better than at home. Russian immigration has slumped from 20,000 a month at the peak to less than 4,000 in May.



CAN INVESTORS STILL RELY ON SHARES FOR INCOME?

As more and more analysts expect company dividends to be cut, we look at the prospects for investing for income.

IN THIS SATURDAY'S

WeekendFT

t vol NatWest seeks ruling on Maxwell shares

Legal Correspondent

NATIONAL Westminster Bank yesterday asked the High Court to settle the dispute over the ownership of shares in Teva, an Israeli pharmaceuti-

The shares are held by the bank as security and are claimed both by the Maxwell pension funds and by the gension funds and by the well Group, one of the Maxwell private companies.

NatWest said that if the court decided that beneficial ownership of the shares never passed from the funds managed by Bishopsgate Investment Management to RMG then it was prepared to relinquish the security and return the shares to the pension

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If however, the court rules that title in the shares passed from BiM and the common investment fund to RMG before being mortgaged to the bank in return for a loan, then it would not return them, because it was a "bona fide purchaser for value without

The 25m Teva shares, with a value of just under £20m, were mortgaged to NatWest as security for a new loan of \$27.3m on November 7 last year

Helicopter bids attract referral

TWO of the bids to take over British International Helicopters Ltd (BIHL), Mr Robert Maxwell's helicopter company now in administration, were yesterday referred to the Monopolies and Mergers Commission, writes Daniel Green.

Arthur Andersen, administrators of Maxwell's private companies, said the decision would "add to the uncertainty surrounding BIHL's future," and would "have an adverse impact on the company's credi-tors." The MMC has until September 9 to make its ruling.

Aberdeen-based BIHL went into administration in December 1991. It smploys 500 people and is mainly involved in ferrying passengers and cargo to offshore oil platforms,

The referred bids, by Bond Helicopters and Bristow Helicopters - both UK companies would, if successful, reduce of competitors in the £200m a year North Sea helicopter services business. The value of the bids was not available.

Cleared to go: two private jets formerly owned by Robert Maxwell have been advertised for sale at a combined price of almost \$27m.

The Gulfstream IV and Gulfstream il are owned by VIP Aviation (Bermuda), part of Headington Investments, Mr Maxwell's main private holding company. They are being kept at a secret location to avoid the attentions of aggrieved Maxwell creditors.

The Guitatream IV, with an asking price of \$21.9m, is lavishly fitted out and is powered by the latest Rolls-Royce engines. The Gulfstream II, with a price tag of \$4.9m, is a 15-year-old aircraft and Mr Maxwell was its fourth owner.

following an urgent request from the Maxwells for new moneys to meet interest navments due on the MMC "jumbo facility" which had been used to fund the purchase of Mac-

The bank said the mortgage was taken in good faith after receiving written assurances that they were beneficially owned by RMG.

NatWest asked questions at the time before accepting the mortgage because the share

The bank then took a mortgage in the same form from BIM as a guarantee for the

NatWest said yesterday it was only on December 5 when the Maxwell private companies went into administration that they were notified by the pension fund managers that the Teva shares might be trust

NatWest said it had decided to ask the court to determine the issue because the administrators of RMG had indicated that the shares should not be voluntarily surrendered to the detriment of other creditors of

The court will also be asked to rule on the management and realisation of the Teva shares pending determination of the Mr John Melbourn, a direc-

tor of NatWest, said the bank was going out of its way to accelerate the legal process. He also said that NatWest will hold talks with the Department of Social Security on establishing a compensation scheme to help Maxwell pen-

Mr Melbourn believes that many City institutions would be prepared to contribute to

Bank pulls out of MGN refinancing

By Raymond Snoddy

SENIOR executives of Mirror Group Newspapers (MGN) part of the former Maxwell empire - have been told that the Bank of Scotland has decided not to go ahead with providing a \$30m slice of a refinancing package.

The news has caused outrage among staff at the Glasgowbased Scottish Daily Record and Sunday Mail because the Bank of Scotland has been the group's bankers for nearly a

The Bank of Scotland is one of a consortium of banks negotiating a medium term finan-cial package to provide MGN with greater stability while decisions over its ultimate ownership and future are taken. The package involves, it is believed, a facility of £250m for two years.

important for the Scottish Daily Record because new colour presses are already being stored in Glasgow but the com-

pany does not have the money install them. MGN have been told the reason for the Bank of Scotland's

The Bank of Scotland would only say last night: "The bank has not withdrawn from the consortium nor has it reduced the limits [of the Scottish Daily

among the other member most of it has been placed. The refinancing of MGN is

ardised as a result. The company is expected to go ahead with the publication of its accounts later this month to be followed soon after by a re-listing of its shares .

decision was "financial prudence.

Record. National Westminster Bank, the senior consortium bank has been reallocating the £30m banks and it is believed that

not thought to have been jeop-

Earlier this week the Departappointed inspectors to investigate the circumstances surrounding last year's MGN flo-

CORPORATE GOVERNANCE Labour tries

Tighter rules planned for directors

By two Dawnay, Political Correspondent BRITAIN'S opposition Labour Cadbury said yesterday. party yesterday disguised its internal divisions over the Maastricht treaty by keeping

ratification. After a heated debate at the weekly meeting of the parliamentary party, MPs voted overwhelmingly to delay action on three diverging proposals on strategy, allowing the shadow cabinet to prepare a new position for presenta tion next week.

open its options if the govern-

ment tries to press ahead with

to disguise

party split

on Europe

While the vote risked Conservative charges that Labour is as undecided as the government on how to react to the Danish referendum result, it served to maintain an appearance of party unity.

The compromise was widely seen as a short-term tactical victory for the party leadership, which had initially responded to a demand from Mr Tony Benn for a British referendum by tabling an ambiguous amendment

Its wording, drawn up by Mr Gerald Kaufman, foreign affairs spokesman, argued that while the Maastricht text fell far short of Labour's official **European Community policy**

Rather than indicating a clear strategy, the shadow cabinet's line merely insisted that it would be "improper" for parliament to continue the rat-ification process until the Community had decided a clear way forward.

In consequence, the leadership's amendment fell a long way short of an alternative amendment tabled by Mr Peter Hain. His proposal, reportedly attracting growing support from many quarters in the party, criticised the Maastricht accord for its narrowly monetarist criteria for economic and monetary union and called for outright Labour

opposition to ratification. In Strasbourg this week, Mr John Smith, all but certain to be the next Labour leader. appeared to be giving some ground to the position of his rival by stressing the need for more democratic accountability in the EC.

While repeating his own firm support for Labour's qualified backing for the Maastricht accord, he also made clear that it should pursue with its sister socialist parties an economic strategy "based on sustainable growth and the highest possible levels of employment."

NON-EXECUTIVE directors will no longer be able to serve on more than one board because of their obligations under new proposals on corporate governance, Sir Adrian

The days of the multiple director are over," said Sir Adrian, chairman of the corporate governance committee which last week proposed that non-executives be given greater responsibilities. As a result, he said, a presence on more than one board will cause strains on time and efficiency.

Sir Adrian, speaking at a Confederation of British Industry conference on corporate governance, said his committee's proposals meant that far more individuals would have to serve as non-executives than

work system [of selecting non-representatives of industry. executives] draws on the narrow pool. That must be changed and we must look to non-traditional sources for non-executives," he said.

The Cadbury Committee on Financial Aspects of Corporate Governance recommended a voluntary code of practice for boards of directors, accountants and auditors.

Among its key recommendstions are that audit committees be composed exclusively of non-executives; non-executives have no financial, commercial or personal interest in the company; and they be allowed to solicit independent advice on board decisions.

The committee, initiated by the accountancy profession and the Stock Exchange, is backed by the Department of Trade and Industry and the

accountancy groups, shareholders and government.

Separately, the government signalled yesterday that if the voluntary code urged by the Cadbury committee appeared to be having little effect, it would reluctantly consider regulations instead. Mr Neil Hamilton, corporate affairs minister said at the CBI conference he believed the Cadbury committee was right to support a voluntary code.

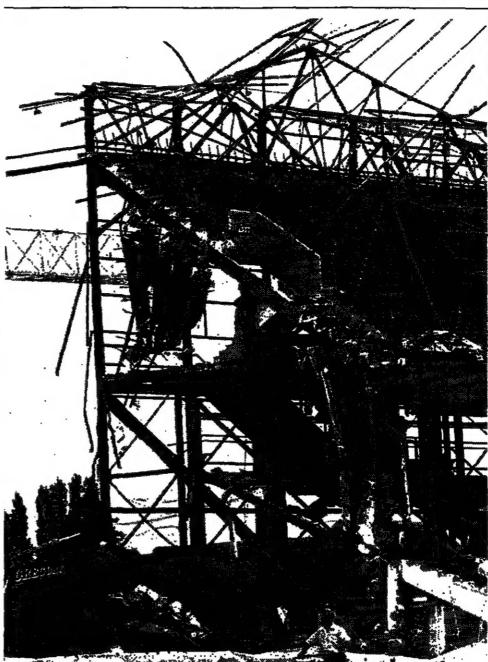
"If a sufficiently strong case for further action were to emerge, taking into account the wiser issues which the Department [of Trade and Industry) has to consider, the government would not be true to its past record if it did not take action," he said.

He believed it unlikely, however, that companies and audi-

tarily on the proposals. Private concerns about the recommendations of the Cad-

vey of fund managers and auditors by Burson-Marsteller. the public relations company, found that a majority of both groups felt the recommendations did not go far enough.

22 leading fund managers and auditors interviewed had felt that members of the committee had been unwilling to produce a report which upset corporate directors. One fund manager was quoted as saying "There able to come out about as they



A groundsman at Twickenham Rugby Ground, west London, mows the pitch against a backdrop of the east stand which is being demolished to make way for a £20m replacement that should be ready for the England-South Africa match on November 14 Photograph by Tony Andrews

Britain in brief



Historians attack secrecy over Hess

British historians have criticised the government for withholding documents relat-ing to the abortive Second World War peace mission of Rudolf Hess, Hitler's deputy, following the publication yesterday of government records.

The records show Hess addressed an apparent suicide note to his family in Germany a month after he crash landed in Scotland in May 1941. The letter, together with a similar message to Adolf Hitler, was written in June 1941 while Hess was being interrogated by UK government and intelligence officials.

The documents confirm Hess's near-derangement following the failure of his ill-starred attempt to persuade the British authorities to make peace with Hitler.

Mr John Costello, a former television producer who has pioneered research into Hess's story using Soviet and US archives, complained that the government was still withholding sensitive material

about the peace mission. Another historian, Mr Peter Padfield, said: "What is interesting is what is not there." He said he was "quite convinced" that details of the M16 plot against Hess were contained in intelligence files separate from the UK Foreign Office files now being opened up to the public.

Unions to vote on pay dispute

Unions at Smiths Crisps are balloting on industrial action following the company's decision to abandon national bar- "lapses in procedure, inattengains by Vauxhall and Ford.

gaining, and all national union greements, in favour of plantlevel pay and agreements.

Mr Brian Revell, an official of the TGWU general union, said the decision reflected the "anti-union instincts" of Pepsico Food International, the US food group which bought Smiths three years ago.

Accountancy firms merge

Stoy Hayward, the UK's 11th largest accountancy firm by fee income, is to merge with Finnie, the 20th largest firm and auditors to the Body Shop.

The new firm — to be called Stoy Hayward — will have 176 partners and directors, 1,300 professional staff and an annual fee income of more than £82m, making it the 10th largest firm under current

Mr Adrian Martin, managing partner at Stoy Hayward, stressed that the merger was agreed for strategic reasons and did not reflect any financial weaknesses in either firm.

Court winds up Batace

Batace, a company controlled by Mr Ghaith Pharaon, a Saudi businessman named by the US Federal Reserve as a frontman for the collapsed Bank of Credit and Commerce International in the purchase of stakes in US banks, has been compulsorily wound-up by the High Court. The winding-up order was made on a petition presented by the liquidators of BCCI claiming to be creditors of Batace for £7,168,206.

NHS failures criticised

Complaints to the health service ombudsman reveal a "catalogue of service failures", according to a report published today by Mr William Reid, the Health Service Com-

missioner. The ombudsman says that

tion to patients' welfare and delays in giving appoint-ments" cause avoidable distress to patients. The report outlines recent cases investigated by the ombudsmen to help health authorities avoid

such fathures. Mr Reid warns that budget constraints should not be used to justify unacceptable reductions in the quality of service.

Police service to be examined

The government's examination of Britain's police service is to be extended to include financial and structural issues. Three weeks ago Mr Kenneth

Clarke, home secretary

announced a review of police



issues. Now Mr Clarke has told the Association of Chief Police Officers conference in Eastbourne that the review - to be completed by next May --would go "beyond narrow adjustments to existing structure and pay arrangements" and examine officers responsihilities, careers and perfor-

Rover output falls sharply

Rover car output fell heavily in the first quarter of 1992, but the decline was largely compensated by higher production by Nissan as well as by small

Overall UK car output in the first three months of the year fell by 0.8 per cent to 343,318 from 346,163 in the corresponding period a year ago according to figures from the Society of Motor Manufactur-

ers and Traders. Rover car production fell by 14.4 per cent to 94,937, while output of the Land Rover division's Range Rover and Discovery vehicles declined by

19.2 per cent to 9,346.
In the first three months it slipped into fourth place in the UK new car sales league after being overtaken by the Pengeot group of France.

Warning on shoe industry

UK footwear companies have en warned that the survival of the industry in Britain its present form is dependent on a continuing growth in exports. Exports, measured in pairs,

rose by 11 per cent, and, measured in value, rose by 15 per cent last year, according to the British Footwear Manufacturers Federation. "Such a strategy is nothing less than essen-tial if the industry is to remain at even its reduced size," said the federation's annual report.

Students take state loans

Almost a third of students received a government loan last year to finance part of their living costs. Figures for the first year of the student loans scheme, published yesterday, show that 180,000 students received a loan, at an average value of £388. Total loan payments were £69.9m.

Geldof wins TV contract

The contract for Channel 4's breakfast television service has been awarded to Planet 24 of which Mr Bob Geldof, the philanthropist and former rock star, is a director, in a £10m 15-month deal. The programme will begin in September.

Race commission warns of increase in extremism

By Alan Pike, Social Atlaira Correspondent

BRITAIN'S Commission for Racial Equality (CRE) yester-day criticised the rise of rightwing extremists in Europe and the US amid warnings of a "much more threatening climate" for race relations.

Mr Michael Day, chairman of Britain's Commission for Racial Equality (CRE), said: The emergence of neo-fascists in parts of continental Europe, the racist posturing of some presidential aspirants in the United States and the horrific events in Yugoslavia alert us to the powerful forces which generate racial conflict."

Presenting the CRE's annual report, Mr Day said Britain's ethnic minority community could never feel totally secure when it witnessed racial oppression on racial elsewhere. Racial minorities in Britain the French national front)."

and Wales are to be asked by the Law Society to adopt tergets for the number of ethnic minority lawyers they employ. Large firms with more than 50 tee earners — lawyers and legal executives - are to be asked to take 10 per cent of their trainees and five per cent of their other fee earners from ethnic minorities. Although the targets are not mandatory, the society plans to enforce them by issuing licenses to all firms wishing

Solicitors' firms in England

saw how the stance of more liberal politicians was adjusted to "take account of the pressures from a Le Pen [leader of

to take trainees on the condi-

tion that they comply with

equal opportunity targets.

Progress towards equality of opportunity for all in Britain was "too slow and too grudg-ing," but the way in which institutions like the police, the churches, the law, health, education and housing were prepared to review practices and introduce fairer procedures was encouraging. There was general support for outlawing the most blatant and offensive expressions of racism, but objections were raised "the nearer we get to challenging the vested interests of those in privileged positions." The commission was, said

Mr Day, disappointed that an

opportunity had been missed to use the Citizen's Charter to give an explicit lead on ethnic monitoring. He also expressed concern about the level of the commission's budget, saying it is "particularly galling that our resources continue to be so

bury report - widely hailed by government and industry when it was published - also emerged at yesterday's confer-

Delegates heard that a sur-

The survey said most of the are some things they were not

Penalties urged to curb industrial pollution

By Neil Buckley

A TOUGHER system of penalties for industries which cause water pollution was pro-posed yesterday to help reverse a 10-year decline in river qual-

ity in England and Wales. The proposals by the Royal Commission on Environmental Pollution are contained in a new report which claims that improvements in river water quality between 1958 and 1960 were followed by a decade of

deterioration.
It suggested that polluters such as sewage treatment plants and industrial polluters - be charged according to the volume and polluting charac-teristics of all discharges, with the income used for pollution prevention measures and research, and grants for investment in pollution abstement.

Under existing schemes operated by the National Rivers Authority (NRA), polluters pay the cost of monitoring to ensure they meet agreed dis-charge levels, and penalties for

The commission's proposed charges would initially be set to raise similar amounts to the NRA scheme - around £25m annually - but would be progressively increased. Lord Lewis of Newnham, the

commission chairman, called for less reliance to be placed on the ability of rivers to assimilate waste. Instead, technology should be improved and public attitudes changed so that discharges of effluents into rivers could be progressively lowered. Among the report's 108 recommendations were a change in the way river quality is monitored, focusing on the presence of plants and animals and a wide range of pollutants, instead of just three chemicals as at present. Moves to cut phosphate discharges and acid

rain were also urged. Priends of the Earth, the environmental campaign group, said the report was a "litany of government neglect and mismanagement Britain's lakes and rivers." It "revisited problems that should have been tackled years

Other findings of the report include:

Rivers, lakes and reservoirs in most of central and southern England suffer from high levels of phosphate, causing eutrophication, or excessive growth of surface plants and algae.

• Acid rain is making rivers

in some parts of Scotland, Northern England and Wales so acidic they are almost completely devoid of fish. One in eight sewage works in 1990 were still not operating

within their discharge con-• There is no national monitoring programme for ground-waters, which are often "exten-

sively" polluted by industrial solvents. Pesticide pollution remains a problem, which is sometimes reflected in drinking water. In London, a six-month survey in 1989-1990 of drinking water found two-thirds of samples contained pesticides above EC

BAe likely to cut jobs at missile plant

By David White, Defence Correspondent

BRITISH AEROSPACE (BAe) is expected today to announce a further 700 redundancies in its Dynamics missile division. Most of the redundancies about 450 jobs - will be at Stevenage, Hertfordshire. The news comes only a week after BAe announced 640 job losses at its space systems facility.

The expected measure will

defence contractors since the

start of the year. reaction from trade unions after hopes for the Dynamics division's future were boosted by the award in March of a £570m Ministry of Defence contract for new air-to-air missiles. Earlier, the division had

already announced that it was

bring to almost 6,000 the num- cutting 450 jobs, bringing its cer of the Manufacturing Sciber of job reductions total workforce down to about announced by leading UK 6,000. The reductions, largely among engineering employees, are part of a continuing effort It is likely to meet hostile by BAe to reduce its costs in an increasingly competitive

guided-weapons business. BAe warned earlier this year that 10,000 jobs would be shed in the group over two years after preliminary 1991 results showing a pre-tax loss of £81m. Mr Tim Webb, national offi-

ence and Finance union, said the cuts would be "yet another blow to the reputation of British Aerospace as Britain's leading manufacturer." Meanwhile, unions repre-

senting MoD civilian personnel yesterday pressed Mr Malcom Rifkind, defence secretary, for a share of defence budget savings to be paid to staff affected by government cut-

The food industry is discovering ways to ensure its equipment stays spick and span, writes Andrew Baxter

ake a beer from your fridge on a sticky day this summer and the chances are that condensation will quickly form on the bottle. It is an effect that may be harmless in the home but causes serious problems

At the Stella Artois brewery in Leuven, the Belgian equivalent of Burton-on-Trent, they know all about condensation. Stella's light beers have to be stored at low temperatures for several weeks before bottling, and condensation quickly forms on storage vessels, pipework and cold wall surfaces when ambient air - particularly on humid summer days - infiltrates the

buildings.
Condensation, combined with high humidity, provides ideal conditions for mould and bacteria to grow, and frequent cleaning simply introduces more water that exacerbates the problem. In 1978 Stella sought a solution through installing dehumidifiers, but these weren't up to the job, and also used a process

that caused corrosion. Now the Belgian brewer believes it has the problem licked with powerful dehumidifiers that recirculate the air after passing it through a desiccant rotor. The equipment, made by Swedish-owned Munters, removes excess moisture from the air and prevents condensation.

There are several similar situations in the UK, but also a need to make companies aware of the possible solutions," says Tim O'Brien, UK managing director of Munters.
"Across the whole of the food industry, they are only just starting to pick this up."

Hygiene is a sensitive issue in the food and drink industry. Few producers want to talk about a persistent problem or potential hazard until it is ironed out. Perfection is not attainable, as recent Salmonella and Listeria incidents have shown, but technology is making further improvements possible.

Health scares have forced food producers and their suppliers, whether of equipment or raw materials, to accept - sometimes reluctantly - that hygiene is higher up the public agenda for food than it has been in the industry's own pri-orities, where over the past 20 years issues such as productivity and effi-

ciency have held sway. For food and drink equipment suppliers, this creates both an opportunity to develop new techniques where solving a hygiene problem is the major issue, but also a challenge to redesign equipment that, in hygiene terms, is now past

Solving hygiene problems has long been important for the food industry, although primarily as a means to an end — greater productivity. More recently, equipment appropriate and customers have realsuppliers and customers have realised that combinations of mechanical equipment, control systems and packaging technologies can be used to create a marketing opportunity through overcoming a hygiene

Marks & Spencer, for example, has developed a New Zealand chilled lamb business to replace chilled English lamb in the winter when eating quality becomes too variable. Apart from careful selection of the

or even taste like a chicken, but

ibermal characteristics — it acts like a chicken.

Nestling discreetly among the

Spencer's in-store refrigerators

how food hygiene — and productivity demands — are

electronics company, was

is a new breed of poultry that will never reach the nation's dinner plates but is a classic example of

driving equipment development.
The so-called Plastic Chicken,
developed by M&S in partnership
with Elm, a Scottleh-based

designed partly with the new UK food safety regulations in mind, which will require chilled food to be kept at 5 deg C. But M&S

chilled foods in Marks &

in one crucial respect - its

control temperatures on the 35-40 day voyage from New Zealand, says Martin van Zwanenberg, M&S divisional director for foods.

However, it is the production processes between shipping of the raw materials and delivery of the finished product to the shops where hygiene is most important. But the challenges are less understandable to the layman and often more difficult for the industry to solve.

As food manufacturing equipment has become bigger and more com-plex, the processes used are increas-ingly akin to those of a chemical plant and less like a scaled-up version of a kitchen. The combination of nutrients, water and heat in a continuous production process cre-ates a "fertile atmosphere" for bacteria, according to Terry Tamplin. marketing manager at APV Baker. Over the past 20 years, in response to customers' needs to

food at as low a temperature as possible without freezing it, to

incorporate an ever-wider range of fresh tood into its dishes. In the past, says Nick Holloway, M&S senior food technologist, monitoring fridge temperatures involved time-consuming reading

involved time-consuming re-of thermometers placed in various positions on the refrigerator shelves. These,

however, measure the temperature of the air rathe

than that of the product. M&S

The solution was the Plastic

Chicken, which incorporates a partially insulated and damped

the temperature characteristics

of a chicken or, with adjustme a range of other chilled foods.

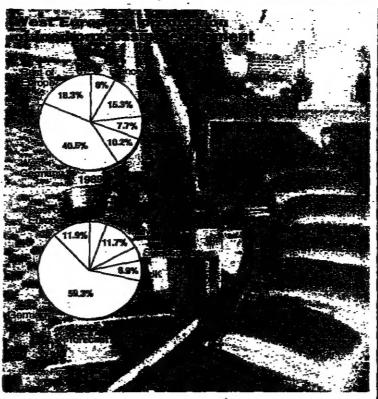
The battery-operated chicken

takes a temperature reading every minute, then puts an

wanted to go direct to the product temperature for greater

keep expensive capital equipment running longer, UK-based APV and the other big equipment suppliers In this environment, hygiene

Cluck, cluck, cluck



installed clean-in-place (CIP)

Now, few large food producers would even look at equipment that cannot be cleaned in place, or where parts that do have to be removed for cleaning cannot be reassembled quickly.

memory every 15 minutes up to maximum of 10 days, or a

maximum of six months if less

trequent readings are taken. If the temperature exceeds preset limits, the Chicken alarm lights

discreetly — no clucking.

Data from the first generation

Plastic Chickens, which will be in
all 280 M&S stores by the end of

July, are transferred by infra-red beam to a hand-held reader unit

But M&S has now hit on the idea

held up to three feet away.

of putting mini-transmitters in each chicken linked to a

receiving station in the store's

food office, further increasing the

temperature data and improving vigilance. cost savings on collecting

will probably be introduced ne-year. It gives "battery hens" a

The radio system can be retrofitied to the original Plastic Chickens, says Holloway, and high-pressure CIP fails to work often because of poor hygienic design of equipment.
The 1990 Richmond Report on the

Microbiological Safety of Food quoted cases where poor design had caused food poisoning incidents. Even the fastidious M&S was hit by a Salmonella outbreak on vol-auvents 10 years ago when chicken built up in a processing machine that incorporated CIP. Incidents like that are prompting

a big co-operative effort by customers and equipment suppliers to emphasise design for cleaning without losing out on efficiency and

productivity.
Nooks and crannies where food can collect are being designed out, says Tamplin, and stainless steel used increasingly for ease of cleaning. Valves - notoriously difficult to clean, says van Zwanenberg - are being used only when absolutely necessary.

Increasingly, equipment is being totally redesigned, principally for hygiene reasons. At Hoyer, Alfa-Laval's ice-cream equipment subsidiary, the latest Straightline extrusion machine is designed with sloping surfaces, no overlaps where ice cream can collect, and a freezing tunnel built like a stainless steel tank with invisible welds.

The extruders have to be removed for cleaning but can be reassembled quickly, says John Weaver, marketing manager. "The aim is to make it as easy as possible, so that the oper ators don't cut corners."

Survival of the fittest traders

By Alan Cane

ealers and managers in financial markets are calling on a host of novel matical methods in their never-ending search for ways to improve trading performance.

The new techniques have emerged from research into artifi-cial intelligence; the way in which they work is reminiscent not only of the mechanisms of the mind but of natural inheritance. They include such esoteric devel-

opments as neural networks, rule induction and genetic algorithms. These are being applied to a range of market analyses including stock market prediction, currency rate prediction, portfolio management ind credit evaluation. According to Philip Treleaven

and Suran Goonatilake* of the Department of Computer Science at University College, London, the new methods are already showing an edge over tradi-tional statistical

methods. A techchaos theory, for example, was found to be up to 50 times more effective than traditional modelling techniques at forecasting market movements such as the Dow Jones average or the price of IBM stock. They suggest that the next generation of Dealing with Darwin

intelligent financial technologies survive. Because there is no "natuwill involve a combination of two or more methods to create hybrid systems - one to analyse and predict market movements, for example, and one to execute trades according to predetermined rules. Inevitably, the growth of intelli-

gent financial technologies will mean more automation in an area where human judgment and skill has been considered paramount. The may be possible that these technolo-gies will lead to a situation where future investment houses have large numbers of extremely adaptive, intelligent machine traders to perform many of the more mundane trading tasks," warn the authors.

It is easy to get carried away, however, with the idea of the world's financial markets controlled by armies of robot traders. The only

things the new techniques really do is to spot trends and recognise pat-terns - but rather more efficiently than the conventional mathematical methods of statistical clustering and regression analysis which have been the mainstays to date.

These techniques are based on approaches which seem positively-bizarre to those outside the rarefied atmosphere of advanced mathematics. Genetic algorithms, for example, have their origin in a species of Darwinism - a sort of survival of the fittest theory. They have been successfully used to solve problems in imaging, large-scale electronic circuit layout, gas pipeline control and job shop scheduling.

The starting point is a pool of possible solutions to the problem randomly chosen. These solutions are then coded in a form a computer can understand - as a set of binary digits or conventional numbers. The sets of digits are analogous to chromo-

> digits analogous to individual genes. A program simulating evolution in action tion, mutation and 5 so on - can be applied to the "chromosomes". The aim to is produce a "better" solution, just as Darwinian evolution is reckoned to produce species better fitted to

somes, and the

ral selection" of an improved solution from the genetic algorithm, at each turn of the cycle, the products must be evaluated to test how good they are at solving the problem. It seems hardly credible but, in practice, it seems to work. In an

artificial stock market at the Santa Fe Institute, robot traders using genetic algorithm techniques generated rules about when to buy such as "when the price earnings multiple is low" - and price trend continuations. This after about a day's run on a workstation.

Human traders need not fear for their jobs just yet; but they should be aware that survival of the fittest does not only apply to nature.
*Parallel Problem Solving from

Nature: Statistical Office of the European Communities, 1992

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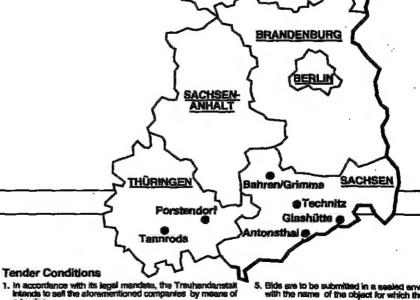
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FT LAW REPORTS

Bank should explain documents

Court of Appeal (Lord Justice Purchas, Lord Justice Butler-Sloss and Lord Justice Scott): May 22 1992

- A RANK seeking to procure a wife's signature as her husband's surety must take reasonable steps to try and ensure that she understands the effect of signing, and if it fails to take such steps it cannot enforce the security against . her on the grounds only that the husband, in deceiving her into signing, was not acting as its agent.

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DAY OF STREET

The Court of Appeal so held when allowing an appeal by Mrs N.E. O'Brien from a decision of Judge Marder QC that the plaintiff, Barclays Bank pic, was entitled to enforce a mortgage document signed by her to secure her husband's

LORD JUSTICE SCOTT said Mr and Mrs O'Brien were mar-ried in 1963. Their matrimonial home was in Slough. They purchased it with a £25,000 mort-

Mr O'Brien had an interest in a company called Heathrow in a company cause resunrow Fabrications and was its auditor. The manager of the Slough branch of Barclays Bank was Mr Roger Tucker. In February 1987 he was transferred to account was transferred to Woolwich to be supervised by

The company had an overdraft which, in April 1987, was agreed at £60,000. By June 15 it had risen to over £98,000. Cheques were being bounced. On June 22 it was agreed between Mr Tucker and Mr O'Brien that the company would be allowed a facility of 2135,000 reducing to £120,000 after three weeks, guaranteed by Mr. O'Brien. His liability was to be secured by a second charge over the house.

Mr Tucker gave instructions for the necessary security documents to be prepared. He sent them to the Burnham branch (a sub-branch of Slough) to await signature by Mr and Mrs

He instructed the sub-branch

BARCLAYS BANK PLC v the nature of the documentation, and to advise that if in protected class of surety. doubt they should contact their solicitors before signing.

Mr O'Brien signed on July 1. On July 2 he brought his wife to the sub-branch. The clerk failed to follow Mr Tucker's instructions, Mrs O'Brien signed. The clerk witnessed her signature. No explanation of the documents or their effect was given. She did not read the documents before signing. No one recommended that she

should obtain legal advice. By October the indebtedness was over £154,000 and in November formal demand was served on Mr O'Brien under the guarantee.

Mr O'Brien's liability was established by Judge Marder's judgment in the court below. He did not appeal.

Mrs O'Brien did not fit the now rather outmoded pattern of down-trodden wife subservient to her husband.

The judge said Mr O'Brien falsely represented to her that the charge was limited to secure £60,000 and would be released in a short time.

Her evidence was that she was reluctant to put the family home at risk, but her husband insisted that she must sign. He told her it was only for three weeks. He became extremely emotional and said that if she did not sign the whole company would go bankrupt and their son would lose his bome Woolwich. The company's as well Mrs O'Brien was concerned for her son and felt that, if it was only for three weeks and would do the trick, she would sign. She went to the bank where the documents were laid out for algning. She did not read them. They had been folded back to show the places to be signed.

The principal reason the judge found in favour of the bank against Mrs O'Brien was that there was no evidence that in deceiving his wife Mr O'Brien was acting on behalf of

For historical reasons equity in the past treated married women differently and more tenderly than other third perties who provided security for the debts of others.

The authorities preceding Apon Finance v Bridger [1985] 2 AHER 281 did not depend on to advise Mr and Mrs O'Brien endowing the husband with

The second of th

Apon added to the protected class a case in which vulnerable elderly parents had agreed to provide security for the debts of their adult son.

Post-Avon cases were not easy to reconcile with one another. In neither Kings North Trust [1986] 1 WLE 119 nor Barcians Bank v Kennady (FT, November 15, 1988) was there any explicit finding that the debtor was acting as agent for

In cases falling within the

protected class, security given by the surety would in certain circumstances be unenforce-able notwithstanding that the creditor might have no knowledge of and not have been responsible for the vitiating feature of the trunsaction. That was supported by Turnbull v Duval [1902] AC 329; Chaplin v Brammall [1908] 1 KB 233; Avon Finance; Kings North Trust and Barclays Bank v

In cases falling within the protected class equity would hold the security given by the surety to be unenforceable by the creditor If

(I) the relationship between the debtor and the surety and the consequent likelihood of influence and reliance was known to the creditor: (2) the surety's consent to the transaction was procured by

undue influence or material misrepresentation on the debtor's part, and the surety lacked adequate understanding of the nature and effect of the trans-(3) the creditor failed to take

reasonable steps to try and ansure that the surety entered into the transaction with adequate understanding of its nature and effect and that the surety's consent was true and Those requirements emerged

The position of married women today was very different from what it was when the equitable principles underlying Turnbull v Duval and Chaplin v Brammall were being formulated. It was arguable that married women no longer needed protection. Many women did not.

from the authorities.

But in the culturally and ethnically mixed community in that the maximum facilities the status of creditor's agent. which we now lived, the would be £135,900, to ensure. Married women who provided degree of emancipation for

Reliance by a wife on her husband to make the business decisions for the family was the justification for the tender ness of equity towards married women. That justification was still present. The old authorities pre-Avon Finance v Bridger were still good law.

Each case within the protected class must depend on its own facts.

But a clear written recommendation to the surety to take independent advice before signing would be advisable in

If a creditor had taken reasonable staps, such as advising the surety to take independent advice or offering a fair explanation of the document before the surety signed it, there was no reason why equity should

The judge rightly declined to find Mr O'Brien had been appointed the hank's agent. Mr sub-branch made it clear that the bank was retaining the responsibility of explaining to Mrs O'Brien the effect and nature of the documents she was to

The question was whether the bank took reasonable steps to try and ensure that she had an adequate comprehension of the effect of the charge.

It did not. If Mr Tucker's instructions to the sub-branch had been carried out the answer would have been otherwise.

Mr O'Brien was not the bank's agent, but the equitable principles established in the authorities required that creditors who took from married women security for their hus-bands' debts should take reasonable steps to see that they understood the transactions they were entering into.

In view of Mrs O'Brien's misnderstanding of the transaction, it was not enforceable against her, save to the extent The appeal was allowed.

Lord Justice Butler-Sloss agreed. Lord Justice Purchas gave a concurring judgment. For Mrs O'Brien: Simon Buckhaven (Stops & Burton,

Danentru). For the bank: Philip Gooden-

day (Harry I Alkin & Co). Rachel Davies **PEOPLE**

Amec's house of cards Back to business

Amec's rapid expansion into householding and the company's biggest individual shareholder, has resigned as chair-man of the company's loss-making housing and prop-

erty business. The departure of 53-year-old Hawe comes a couple of months after Amec itself reported a loss as a result of a need to take a £60m exceptional provision against its land and property values. In common with many construction companies Amec, had increased its exposure to property and housebuilding just at the wrong time. Analysts suggested that his departure confirms that Amec intends to withdraw from the housing

Hawe, a quantity surveyor, joined Amec in 1986 when the group joined forces with his housebuilding company to

remarkably successful development" of Fairclough Homes. in addition to being rewarded with a boardroom seat, Hawe also emerged as a major shareholder because Amec issued paper to buy his company. At one stage he owned 6.85m Amec shares. However, he has been a steady seller of Amec stock and according to the last annual report his stake had

John Early, Amec's 46-yearold finance director, is taking over Hawe's responsibilities and will continue to be responsible for directing Amec's strategic development throughout Europe and for overseeing the rationalisation of Amec's US activities. Simon Batey, Early's 39-year-old deputy, is taking over from Early as group finance director.

Racal realigns

Sir Ernest Harrison, chairman and chief executive of Racal Electronics for 26 years, will relinquish the chief executive spot to his right-hand man David Elsbury from the begin-

ning of August. While Elsbury, 56, was obviously the heir apparent, analysts yesterday expressed a degree of surprise that Sir Ernest had lined himself up as chairman of Chubb, the security locks and alarms business due to be demerged in October. The precise timing of the split chairman and chief executive role at Racal may thus have been determined by Sir Ernest's appreciation he could not inhabit all three positions with the chairmanship of

Vodafone, now spun off from Racal, into the bargain. Elsbury, who joined Racal in 1956, has been chief operating officer since 1989, and deputy chief executive since 1983. His task in the last three years has been to restructure the non-Vodulone side of the business.

Sir Ernest, 66, yesterday also named the two non-executive directors he is bringing onto the Chubb board. One is Sir Colin Corness, chairman of Redland and the Nationwide building society and a director of the Bank of England. Sir Colin knows Chubb already, having been a non-executive ten years until the Racal pur-

Meanwhile, the other non-executive appointment, Michael Blackburn, who was until last April chairman of Touche Ross Co., has obviously forgiven the chairman his rhetoric in the midst of the recent Williams Holdings battle for Racal. Sir Ernest, a qualified accountant himself, was heard to make disparaging remarks about the profession as he laid into the Williams team - a bunch of "accountants" who only knew how to slash costs.

Bavid Downes becomes deputy chief executive of HUNTER SAPHIR in addition to his responsibilities as group finance director. Peter Austin becomes a director, Ken Payne is company secretary.

Christopher Rouse has been appointed development direc-

tor of FORTE HOTELS. Mike Stevens becomes a director of FORTE POSTHOUSE. M Valerie Corrigan has been elected shareholder director of

M Alastair Channing, deputy md of operating subsidiary Associated British Ports, and James Shaw, md of property subsidiary Grosvenor Square Properties, are appointed to the board of ASSOCIATED BRITISH PORTS HOLDINGS.

Malcolm Hawe, architect of form Pairclough Homes. In Howell Harris Hughes, the last worked for Jacob Rothschild 1989 he was appointed to the of the outgoing members of the main board following the Prime Minister's Downing Street policy unit, has resurfaced as deputy chairman designate of Cantrade Investment

> Hughes, a former partner of Phillips & Drew, was recruited to the policy unit at the start of 1989 by Professor (now Lord) Brian Griffiths. He was involved primarily on Depart-ment of Trade and Industry issues and his responsibilities have now been passed on to David Poole, the James Capel director who joined the policy unit last month.

> By joining Cantrade Investment Management, the newlyformed investment arm of Switzerland's Bank Cantrade, 48-year-old Hughes is returning to his old stamping ground of non-pension fund investment management. He joined P & D in 1967 and rose to head the part of the business which specialised in non-pension fund business. P & D is now part of the Union Bank of Swiferland empire as is Bank Cantrade. Cantrade Investment Management, formed around the basis of the old C.S. Investment Management, has £1.3bn of funds under management and services a different part of the market from the much bigger Phillips & Drew Fund Manage-

> Hughes' appointment means that all the old members of the policy unit have now found

joining the policy unit, replaced Judith Chaplin as the Prime Minister's political secretary in March. Civil servant John Mills has been appointed the new director of consumer affairs at the Office of Fair Trading, and Caroline Sinclair, a former Treasury official, has moved to the Home Office.



Jeremy Logie (above), formerly md of BAA Hotels, is CATERING AND INSTITU-TIONAL MANAGEMENT

Air Chief Marshal Sir David Parry-Evans will be the new chief commander of ST JOHN AMBULANCE. ■ Robert Drummond, chief

executive of Grosvenor Venture Managers, becomes chair-man of the BRITISH VENTURE CAPITAL ASSOCI-

Angela Browning MP is parliamentary adviser to the INSTITUTE OF SALES &

Royal changes the guard

Management changes continue ance, leaving as the company's apace at Royal Insurance, as the composite insurer claws its way back to profitability under chief executive Richard Gam-

Peter Sharman is the latest to move upwards as part of a rejigging of senior posts at Royal UK, which sees the departure of managing director Geoff Prince.

Sharman, a 48-year-old Lancastrian, has been with Royal since 1961. One of the compa-ny's "troubleshooters", he has headed up problem-prone subsidiaries in Spain and Australaria. He was called back from Australia last August to

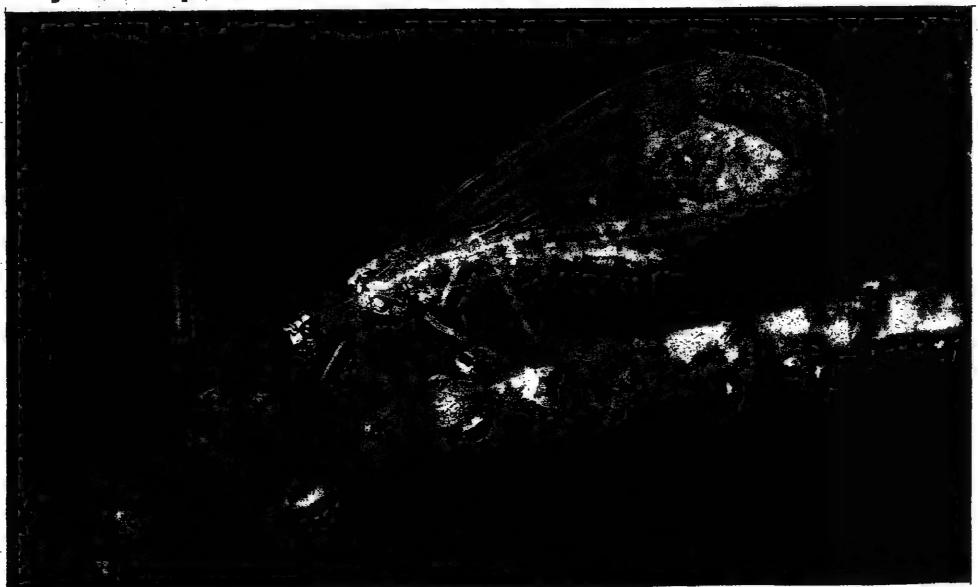
become Prince's deputy. Prince, 51 and another Royal stalwart, had only been managing director for just over two years ago. He will now pursue a new career outside insurUK underwriting results show the first signs of improvement after two years of heavy losses. Meanwhile, Roy Elms, the underwriting director appointed late last year, sees his responsibilities broadened. He becomes deputy chairman of both Royal UK and Royal Insurance (Global), the subsid-

national and London market business Royal's chairman, Sir John Cuckney, has been appointed chairman of Royal Insurance

iary which underwrites multi-

(Global). Separately, at Royal Life Estates, James Chapman has been appointed financial services director. Phillip Raw takes over as professional services director and Bill Willetts becomes human resources and

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Alice Rawsthorn explains why Europe's luxury goods makers are having a tough time

Japan loses its yen for Paris

here was a time in the late 1980s when Japanese tourists were buying so many quilted leather bags at the Chanel shop on Rue Cambon in Paris that Chanel was forced to "ration" them to three per person. Unabashed, the Japanese lurked outside, bribing passers-by to buy more bags for them.

Chanel is not the only European company to have benefited from the Japanese lust for western luxury goods. In the 1980s, Japan emerged as the fastest growing market for European fashion, perfume and cosmetics, thanks to the apparently insatiable appetite of Japanese consumers for Hermes scarves, Louis Vuitton luggage and Gianni Versace clothes.

Japan's recent economic problems - tumbling corporate profits, plunging share prices and the precarious property market - present a depressing scenario for Europe's fashion and beauty groups. The economic squeeze has already affected their sales in Japan itself and to Japanese tourists in other countries. The Europeans are now anxiously trying to assess the long-term impact on one of their most important markets.

The catalysts for Japan's emergence as an important source of sales for European fashion and beauty brands were economic growth and the increasingly cosmopolitan attitude of Japanese consumers who were travelling more widely and becoming more receptive to western trends.

These influences were accentuated by the frenetic growth of Japan's property and stock markets. This created a new group of nouveau riche consumers, happy to spend their new-found profits on Cartier jewels and Gucci shoes. The property boom also priced the established middle classes out of the housing market. Young couples were forced to post-

pone purchasing their own homes, leaving them with more to spend on themselves.

more to spend on themselves.
Clarins, the French skincare company, now sells more each year from a single counter at the isetan department store in the Shinjuku area of Tokyo than in smaller European countries. Paul Smith, the London menswear designer, depends on Japan for nearly two-thirds of his turnover.

two-thirds of his turnover.

LVMH, the French luxury goods group behind Louis Vuit-



ton, makes more than a quarter of its sales in Japan. And Japanese tourists account for a fifth of the sales of some products, such as perfume, at the Printemps department store in Paris. "Japan is incredibly important in sales terms," says: Susannah Hardy, luxury goods analyst at Bacot Allain Warburg in Paris. "It is even more important in terms of profits because the margins on prod-

because the margins on products sold there are so high."

Times have changed. The
boom in the property and stock
markets fizzled out two years
ago. The first products to suffer were the most expensive —
the impressionist paintings
and opulent jewels. Cartier,

one of the most prestigious Paris jewellers, saw its Japanese sales alip by 12 per cent last year

Until recently, more mundame luxuries, French perfumes and Italian designer ciothes, were unaffected. But the recent run of Japan's economic problems has depressed consumer confidence. Sales in department stores, the main outlets for European fashion and beauty products, fell by 2 per cent in April compared with the same month last year. The Japanese have also cut back on international travel, thereby reducing "souvenir"

"It is too soon to say what will happen," says Philippe Vadon, president of the Japanese subsidiary of L'Oréal, the French cosmetics group. "So far, all we have seen is a slow-down in the extraordinary rate of growth, experienced in the late 1980s. Remember, in Japan last year, our Lancome brand grew by 30 per cent."

Serge Rosinoer, chief execu-

Serge Rosinoer, chief executive of Clarins, agrees. Clarins' Japanese sales rose by 20 per cent in the first quarter of this year, compared with the 30 per cent Rosinoer would have expected had the economy been healthiar.

So far, the slowdown has not been too severe. Moreover, the strength of the yen in the first quarter has helped to offset any reduction in growth. However, the Japanese slowdown comes at a time when European fashion and beauty groups are already under pressure in other markets, notably the IIS.

There is also concern that the situation in Japan will deteriorate. The worst scenario would be a repetition of 1974-5 when the economy sank into recession, savings ratios rose and consumer spending collapsed. "In the past, the Japanese have responded to recession by saving more and spending less," says Claude



The days when Chanel had to retion its bags are now over

Meyer, chief economist at Bank of Tokyo in Paris. "We just don't know yet whether that will happen again this time."

These problems are aggravated by the changes in Japanese consumption patterns. Even before the economic squeeze, the Japanese were becoming more discerning in their choice of western goods. The old era, when wealthy consumers seemed willing to buy just about anything with a glitzy European label, has mored.

"The Japanese are now more mature, discriminating consumers," says Peter Wallis, a specialist in luxury goods at SRU, the London-based management consultancy. "They have travelled more widely and are more knowledgeable about what they are buying. They want a wider choice and they want quality."

Louis Vuitton's experience bears this out. It began in Japan by selling its signature luggage with "LV" initials stamped all over the leather. Its range has now widened and the fastest-growing line in Japan is the more discreet cuts for collection. "The Japanese are looking for quality and

price," says Emmanuel Prat, president of LVMH in Japan. "Image is not enough any more."

In theory, this may make it more difficult for European companies to sell to Japan. make life more difficult for less prestigious brands which may be squeezed out of the market Meanwhile the established players are waiting to see whether the Japanese economy worsens. Their problem is that there is little they can do to mitigate the situation. Most accept that Japan is a complex market, demanding long-term commitment. They are reluccommunent. They are reluc-tant to jeopardise their invest-ment in research and distribu-tion by adopting the conventional, counter-recessionary tactics - price-cutting, accelerating product launches or reducing promotional budgets - they might employ in other countries.

"We are talking about a very, very important market," says Rosinoer. "We cannot run the risk of damaging our position by adopting short-term strategies. Whatever happens, we will sit it out because we are in Japan for the long-term."

Putting customers in the picture

Paul Taylor says Kodak is projecting a new image

odak has the kind of marketing problem most companies would envy - a brand name that is owell known that it overshadows all of its products.

When people hear the Kodak name, they think of photography, as they have done for more than a century. Kodak has one of the strongest brand names in the world along with Coca-Cola and Sony. That is great when Kodak is selling camera film, but not so good when it wants to be taken seriously as a supplier of high-tech office equipment.

Kodak is up against competitors like Xerox, with a brand name synonymous with photocopiers, and Canon, the Japanese group. Among "business decision makers", only one in five associates Kodak with photo-copying while three out of four link the Rank Xerox name to office copying equipment. Similar figures emerge for Kodak's other office equipment products, which range from digital cameras and document scanners to optical disk storage systems and high voltop to the copier-drollicators.

mme colour copier-duplicators.

Rodak's commercial contomers consistently give it's products — most of which have high price tags — good marks for reliability and service, but the problem is that existing customers are few in number.

Editories are lew in number.

Kodak's executives acknowledge the brand image problem. The company's traditional photographic market is under attack from other competitors like Japan's Fuji Film, making the move into office equipment all the more important.

Mike Mansall head of Kodak

Office Imaging in the UK, says that although most business people have personal experience of Kodak's photographic products, those who influence decisions "do not really associate Kodak with the business environment".

Mansell believes that some

Mansell believes that some of Kodak's commer advertising, like last year's campaign featuring disposable cameras, "may be seen as relatively flippant" by business customers.

In the past, Kodak has tried

"umbrella" advertising to emphasise the broad range of its businesses and overcome this commercial credibility gap. However, the group recognises that it faces a marketing challenge and not just an advertising problem: a radical response was needed.

First, Kodak has redefined its core business around the "imaging" banner — a concept that links traditional photography and the digital technologies which dominate the office equipment market. By doing this, Kodak hopes its brand name will become linked to the imaging expertise it employs in scanners, optical disks and printers, and not just in consumer photography.

A s a first step, Mansell says that Kodak must change its internal image, "the one we have of ourselves," and project the new image consistently.

Second, the group structure has been reorganised into three divisions - Imaging, which includes both photographic products and business equipment, chemicals and health. One aim has been to shorten lines of communication, ensuring that functions such as research and development, marketing and customer than the communication of the communication

The reorganisation is also meant to simplify the management of customer accounts

and encourage sales representatives to listen more closely to customers' needs. The formation of Kodak

The formation of Kodak Office Imaging, for example, brought together businesses which previously operated as distinct units, sometimes even in competition with each other. Now customer databases, long acknowledged as one of the most powerful manketing tools, have been merged and only one Kodak sales rep will call on customers in future instead of two Mansell says the new structure has already resulted in "some enormous new (sales) opportunities", although he adds that it will take time to change customer perceptions.

change customer perceptions.

Time is not on Kodak's side.
The company is under pressure to sort out its marketing quickly in order to halt a succession of poor results including a 19 per cent drop in 1992 first quarter net earnings.

The success of this latest reorganisation, the fifth since 1983, and Rodak's attempts to develop its commercial brand image, will be critical to its future. Mansell says Rodak will not be "throwing money at advertising". Instead it is attempting to deal with the technical problems its customers are facing. "It is going to take a great deal of effort and commitment on our part, but if we don't do it, we will be losing a great opportunity."

WALES

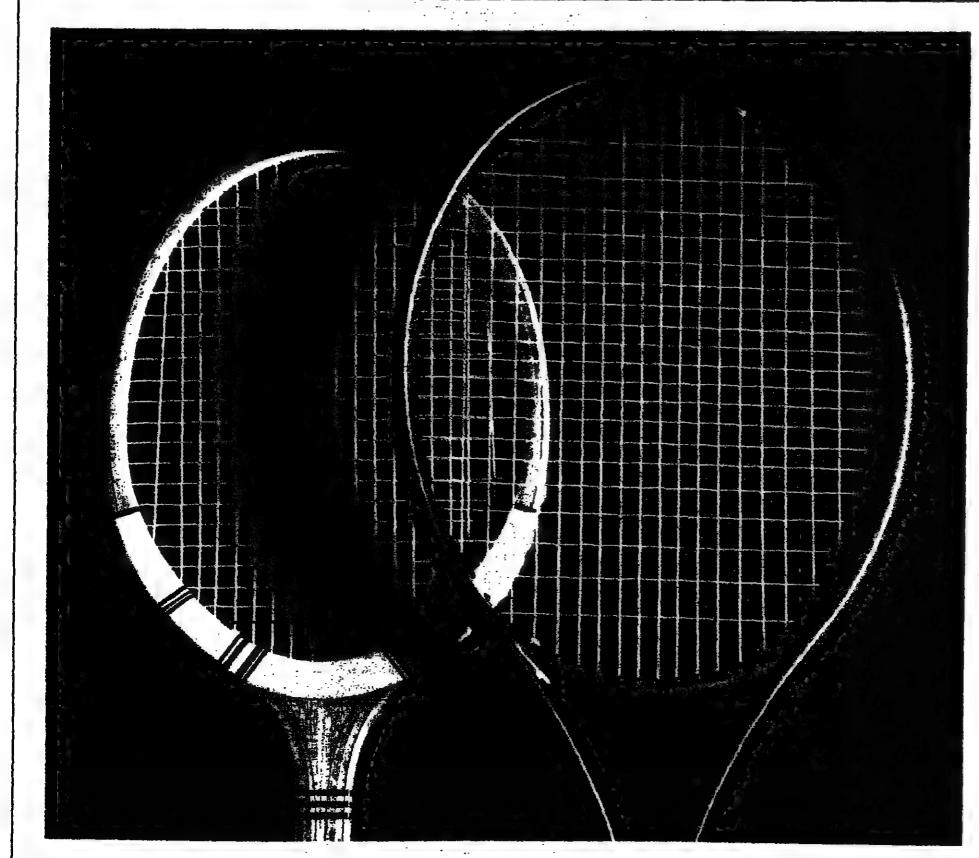
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September 16 1992.

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FT SURVEYS



"Not to change is a sure sign of imminent extinction."

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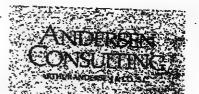
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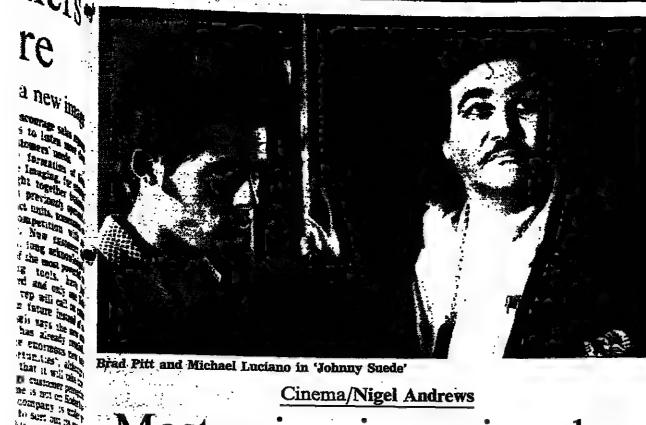
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Cinema/Nigel Andrews

Masterpiece in a minor key

ohnny Suede, a writing and directing debut by cameraman-playwright Tom DiCillo, who photographed Stranger Than Paradise and penned the one man play on which this new film is based, is an example of "sort of cinema. It is sort of wonderful and sort of weird. And it is sort of about this sultry-looking innocent (Brad Pitt) who loves suede shoes and rock music, who models himself on Ricky Nelson – complete with well-oiled quiff – and who cannot mind up his mind about love. Should be choose beautiful, disturbed Darlette (Alison Moir), who lives with the neighbourhood sadist, or sensible, forthright Yvonne (Catherine Keener), who teaches him how to find stimulating parts of the female anatomy?

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Johnny, for most of the time, can find scarcely anything. Except for a pair of magical suede shoes which fall from a night sky onto the roof of a telephone booth and become in a moody, noir ish city not unlike his Oz-like talismen. Johnny lives New York. (Actually it is New York but unnamed.) And he drifts, drifts,

drifts, from day to day.

This is deeply charming film. It has a sleepy wit and a blissful line in tell-tale decor: strawberries and flamingos for dinky Darlette, no-nonsense hard angles for Yvonne, damp walis and a fridge containing one mouldering carrot. for Johnny, in addition Brad Pitt, the young hoodlum from Thelma And Louise, plays the sweet, dim, pompadoured hero with a charisma that reminds me - indeed has reminded everyone to judge by the American press quotes — of James

The spirit of this film is simultapop-historical reference points are rock 'n' roll and 1950s teenage dandyism. But the narrative technique is modern. Wandering stories which appear to be no stories at all have been embraced by Jim Jarmusch, Gus Van Sant, Hal Hartley and Aki Kennismaki, and their films represent the healthiest crisis cinema has experienced for decades.

Johnny Suede is at times more mannerism than meaning, but it still has a bravura aimlessness. When most about "nothing" -Johnny earning a few daytime cents as a painter-decorator, Johnny daydreaming of an audience of screaming girl fans as he stands on stage crooning about the beauty of suede, Johnny musing malapropistically about girls ("That's the way I'm handling this one, strictly Plutonic") - It is about everything. It is about the way we live, moving in and out of consciousness, feeding our fantasies, dreaming dreams,

and making career plans that sel-dom leave the drawing-board except to dive straight into the waste-paper

Tom DiCillo's movie won the Golden Leopard for best film at last year's Locarno Film Festival. Stuck in a one-lake Swiss town you might have voted for it yourself - and suspected your vote was one for desperation. But what seems at times to be last gasp mannerist min-imalism, fin de siècle style, seems at others like a brave fluidity made for the next millennium. Johnny Suede is minor in key but messianic in

> JOHNNY SUEDE Tom DiCillo

> > DOUBLE X Shani Grewel

STRAIGHT TALK Barnet Kellman

THE BEAST Walerian Borowczyk

There have been several rumoured sightings of Norman Wisdom over the 25 years since he retired from movie comedy. But some believe, like myself, that they are spocryphal; that the man who bestrode 1960s British cinema with his bicycle cap, ill-fitting jacket and braying pathos was put in a time capsule long ago together with Muffin the Mule and Lonnie

Now he has been taken out again, and hooray. I enjoyed him in Double X, a colourfully appalling thriller in which Norman plays a runaway scientist-inventor pursued by the criminal mob he invented things for. Just what he invented is obscure. Perhaps it was the rabid-ferret hair dye and stage Irish accent sported by Bernard Hill or the Michael Gambon impersonation kit deployed by Mr Ward.

This cheerful rubbish was directed by Shani Grawel. No one seems to have any idea what he or she is doing - she being Gemma Craven as gangland's answer to Shanghai Lily - except for our Norman. He just carries on happily, gasping, giggling, groaning, where The Bulldog Breed and A Stitch in Time left off. Two decades in a time capsule teach one the wisdom of serenely, stoically doing one's own

"Sometimes you gotta get out and honk your own horn" says Doily Parton as an agony aunt in Straight Talk. Playing Chicago's riposte to Claire Rayner, she hurls motherly advice over the airwaves after

stumbling into WNDY Radio as prospective switchboard girl and being mistaken for the new phone-in hostess who fails to turns

up. (Why? We are never told.) Meanwhile, in another part of the movie, a plausible romantic lead has failed to turn up and the part goes to fidgety, semi-crazed James Woods of Salvador. He and Miss Parton bill and coo at each other over that surging outcrop known as Miss P's bosom, Woods playing a reporter out to expose her imposture. Will she be exposed? Or will he fall for the impostress? This is Hollywood at its most

smiably confused. There are enough loose ends in the film to harness up a team of chariots. Why, for instance, is the subplot infatuation with our heroine of radio producer Griffin Dunne not resolved? Dunne is the funniest thing here: executive stress written into every twitch of the hand, every palpitation of that boil-in-the-bag face. But he is fast marginalised by writers Craig Bolotin and Patricia Resnick and director Barnet Kellman, who know where the money is. In a film starring Dolly Parton, a competition-destroying landmark, what chance does a mere good actor have to feature in the scenery?

At the ICA you may catch a new, uncut print of Walerian Borowczyk's The Beast (La Bête). This is the film that had a thousand Aunt Ednas calling for intensive care when it appeared in the mid-1970s. It is the tale of two beautiful heiresses wrestling with two well-equipped monsters in two different centuries (18th and 20th). L'erotisme fou, painted with the bright unshockable wit that this Polish-born director brought to Blanche and Immoral Tales.

Elsewhere in the cinemas the rewards are for those who search. My customary advice in the silly eson, which has now arrived in Britain with all its luggage, is to indulge in Creative Filmgoing. A visit to the movies is not contingent upon the week's new releases. Repertory cinemas abound, from London's ICA, Electric Cinema and National Film Theatre to the regional film theatres across the

Nor is multiple-choice programming confined to the art-house sector. The boldest recent initiative has been that of the Prince Charles cinema where for \$1.20 per ticket - astonishing but true - you can choose among 20 new or classic films shown within a single week: The Prince Of Tides, Cyrano De Bergerac, Apocalypse Now, Father Of The Bride, Bugsy... Ballet/Clement Crisp

Dark Elegies

The Ballet du Rhin broke the run of its charming Fille mal gardée on Tuesday and Wednesday with a triple bill of more modern works. I wish the programme had allowed us a more flattering view of the troupe, but after showing that the company could deal well with a masterpiece (Dark Elegies), we were faced with a gadarene rush into fatuity and unflattering choreography in stag-ings by Claude Brumachon and Oscar Araiz.
Antony Tudor made Dark Elegies

in 1937, and it was a prophetic work. Mahler's Kindertotenlieder were to become terribly apt in the war years, and to our shame, they are still more pertinent today. Tudor's language turns a communiy's agonies into ritual that never dulls the pain of parental loss, and the Ballet du Rhin interpretation

has the austerity, the avoidance of overt sentiment, that Tudor demanded in performance of his work. I think that Dark Elegies would strike most terribly home were its soloists to be great dancers who sternly repressed their feelings
- I imagine Makarova or Semenyaka in the second song; Baryshnikov in the fifth - but we cannot hope for such casting, and the present artists' simplicity, their sense of responsibility to the text, is pleasingly honest. If the text itself differs

given us, and the Ballet do Rhin do not betray it. Just what Claude Brumachon's

from the old Ballet Rambert version we knew for many years, it yet

remains the most powerful expres-

sion of grief that dance has yet

dresses leaned backwards and postured. Four men, in revealingly tattered garb, entwined themselves. An attractive score by Christopher Zurfluh made mediaeval noises. The stage was not over-lit. There were frenetic slappings and brief, anxious gestures. Nothing else happened – neither well-organised dance nor discernibly rational activity. The curtain fell. Swift ingestion of alcohol is the only cure. Not even alcohol, though, could

numb the awfulness of Oscar Araiz' version of The Carnival of the Animais. How it is possible to stage Saint-Saens' witty, charming, infinitely felicitous score without a single atom of its many virtues rubbing off on to the dance, I do not know, but Mr Araiz has succeeded. Hawk's Lament' expresses I could He is aided and abetted by a witless not fathom. Three women in long barrage of rhymed couplets that

introduce each animal, spoken on Tuesday with great good humour by Adrian Edmondson, who deserved danger-money for having to memorise so much bad verse. Mr Edmondson was also the most entertaining mover on stage, the choreography for the large cast condemning them to actions foolish, inordinately dull. The caharet in hell is less tiresome. The score was well done by the Wren Orchestra under Nicholas Moisiejenko, with Leslie Pearson and Vivian Troone very able pia-

The Ballet du Rhin continues at Sadler's Wells with its version of La Fille mal gardée until June 13. The visit is made possible by the Association Française d'Action Artistique and the Opéra du Rhin.

Dance in New York/David Vaughan

School of American Ballet

The annual School of American Ballet Workshop (so-called) performances are an event of more than parochial interest. They are, to begin with, fully staged productions of ballets, usually from the reper-tory of New York City Ballet, with orchestra, the excellent Juilliard School Philharmonia. (During his tenure as musical director of the company, the late and much lamented Robert Irving used to conduct.) The audience includes not only doting parents and siblings, but also balletomanes, critics, and directors of other companies from around the country, all on the look-

out for new talent. Some of these audience categories overlap.

Former members of NYCB now direct companies or teach outside the city. This year's award-winning

students, Emily Coates and Anna Liceica, are former pupils of Pat-ricia Wilde, director of Pittsburgh Ballet Theatre, and Yvonne Mounsey, who teaches in Santa Monica, California, respectively, Another very gifted young dancer, Rachel Rutherford, is the daughter of the former ballerina Gage Bush and the late Richard Englund, an associate director of the Joffrey Ballet. Coates and Liceica have already been taken into NYCB as apprentices.

Although the School is the official school of City Ballet, not all its graduates can find a place there, so it also feeds into American Ballet Theatre and companies outside New York and even abroad. (Paloma Herrera, a 16-year old in last year's performances, has been attracting notice in small roles at ABT this

The performances this year afforded a pleasure over and above that of watching fresh young talent. After the dismal week of "original" bailets presented in the NYCB's "Diamond Project" (which really was a glorified workshop), it was a relief to see an evening of mostly great choreography: two Balanchine ballets that were not in the company repertory this season, Allegro brillante and Who Cares?, and a Bournonville divertissement, the pas de trois from La Ventana. The only clinker was Martins's achingly tedious Mozart Serenade.

The general level of the dancing would have done any professional company proud. Once on stage, these teenagers seem to lose all trace of adolescent insecurity and

become assured, elegant, sophisticated young women and men. If I had to pick out one outstanding dancer, it would be the Romanianborn Anna Liceica, who danced the first variation in La Ventana with sweet delicacy and lyricism, then gave a knockout performance of the My One and Only" solo in Who Cares?, with its dazzling succession of multiple pirouettes.

But the whole cast in this ballet was sensational, from corps de bal-let through to soloists; Liceica, Rutherford, bewitching in the "Fascinatin' Rhythm" solo, and Gavin Larsen, spirited in "Stairway to Paradise", all three women strongly partnered in their duets by John Winfield. As so often before, this was the perfect ballet for a June evening in New York City.



"This is the best summer of my life - I wish I had it all on videocassette." With these words Pond Life, a new play by Richard Cameron, begins. The seven characters are just kids, and their talk is just kids' talk. The first scene gets nowhere slowly, and the play seems a drab example of garden-shed theatre except that it hardly seems to be a play. Then the tone changes with successive scenes, and the play becomes absorbing, funny and mov-ing - except that it hardly seems to be a play.

Pond Life, a play about adole cence, is extraordinarily real, and it is beautifully heightened by a young cast who are mainly still of school age. (From the programmes biographies; "Isobel was a member of the Actors' Workshop in Halifax, and is currently sitting her A levels...She has the option of working at the National Theatre of Namibia, before applying to Drama School.") You don't expect teenage actors to be able to catch the minor and major pengs of teenage existence as vividly as this. That they do must be thanks to superb direction from Simon Usher. Anthony Lamble's designs miraculously create four large and contrasting locales out of the tiny Bush stage. The play exists on some surpris-

ing cusp between The Three Sisters and The Secret Diary of Adrian Mole. A critic's job is to report; but to describe most of what goes on here would be to break its spell. Five of the seven characters are



Paul McCready, Joanna Robinson, Richard Standing and Lyndon Davies

interested in fishing; hence the title. net princes with the RSC in 1968-89; You see one slightly retarded girl, Pogo, going through an astonishing mad scene, you see bullying and flirtation and hearthreak, and yet the climax occurs when three char-

acters catch a carp. Pogo, by far the hardest role, is the only part which makes you aware of acting. Though Joanna Robinson catches the fluctuations and pace of the character's behaviour with perfect naturalness, she slightly overdoes the wide-eved ingenuousness and high white voice of innocence. Other players include Lyndon Davies, remembered as a child actor in The Singing Detective on TV and as two young Plantagehere he is a Yorkshire scamp fascinated by all the usual things girls, boys, masturbation, teasing

and, yes, fishing. Joe Duttine achieves the plays's most hilarious moment on his first entrance. A pretty young thug with a tattoo and an earring, he comes in sourly with his girlfriend, lies down importantly on some concrete and then says "Think I'm gonna get me 'air cut." The play leaves you wanting to know more about him and Cassie (Isobel Raine). They are the two who are so caught up in important adult things that they don't have time for fishing; and you come to feel that is their loss. As

Trevor, the chief fisherman and most adult character. Richard Standing is moving in the play's simplest moments.

Pond Life is about working class kids in South Yorkshire today. My adolescence, however, was middle class, public school and Southern. Even so, time after time this brought back with shocks of recognition the time when the most crucial things in life were parents, pop songs, acne and unrequited love.

Alastair Macaulay

Bush Theatre, London W.12



MAMSTERDAM

Concertgebouw 20.15 Kronos Quartet plays works by Gorecki Hindemith and Gubaidulina. Sat afternoon: Simon Rattle conducts Rotterdam Philharmonic Orchestra (6718 345) Beurs van Beriage 20.15 Vassili Sinaiski conducts Netherlands Philharmonic Orchestra in works by Schumann, Von Henselt and Dvořák (6270 466) Muziektheater 19.30 Nikolaus Harnoncourt conducts Don Giovanni, with William Shimell, also Sun afternoon. Sat: Dutch National Ballet in choreographies by Forsythe, Balanchine, Brandsen and van Schayk (6255

ANTWERP

De Vlaamse Opera 19.00 Silvio Varviso conducts Götz Friedrich's production of Der Rosenkavalier, restaged by Friedemann Steiner with decor by Jürgen Rose. The cast includes Mari Anne Häggander, Jeanne Piland and Artur Korn. Further performances on June 14, 18, 21, 27, 30 (233

■ FLORENCE MAGGIO MUSICALE Teatro Communate 20.00 Zubin Mehta conducts Lorenzo

Mariani's new production of La forza del destino, with Stefka Evstatieva, Peter Dvorsky and Leo Nucci, also Sat and next Tues. Tomorrow and Sun in Teatro della Pergola: Le nozze di Figaro with Lella Cuberii, Joan Rodgers and Thomas Hampson (277 9236)

■ LONDON

THEATRE The Rise and Fall of Little Voice: new play by Jim Cartwright, directed by Sam Mendes for the National Theatre. Jane Horrocks plays the daughter locked in a world of her own, trying to survive the ambitions of a brassy, desperate mother, played by Alison Steadman. Currently previewing, opens on Tues (Cottesloe 071-928 2252).

 A Judgement in Stone: Shella Hancock stars in a new musical thriller based on the novel by Ruth Rendell. Runs till July 4 at the Lyric Hammersmith, which also has a studio production of The Master and Margarita, adapted from the novel by Mikhail Bulgakov (First Call 071-836 3464).

 Dějà vu: John Osborne's new play is directed by Tony Palmer, with a cast led by Peter Egan

(Comedy 071-867 1045).

Grand Hotel: the American touring production of the Tony Award-winning musical, directed by Tommy Tune. Limited season of ten weeks. Now previewing, opens on Tues (Dominion 071-413

 Sienna Red: Stephen Poliakoff's new comic drama takes place in a DIY store. Peter Hall directs. Now previewing, opens on Wed (Albery 071-867

Six Degrees of Separation: Phyllida Lloyd directs a production of the play by John Guare which has been a self-out success at New York's Lincoln Center. Now previewing, opens next Thurs (Royal Court 071-730

 For ticket Information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

Covent Garden 20.00 Midland Bank Proms: Christoph von Dohanyi conducts Der fliegende Hollander, with James Morris and Julia Varady. Tomorrow: La bohème, Sat and Mon: Samson et Dalila with Domingo (071-240 1066)

Coliseum 19.30 Verdi's Falstaff with Benjamin Luxon in title role, also Mon. Tomorrow: Monteverdi's Ulysses, Sat. Madam Butterfly (071-836 3161)

Royal Festival Hall 19.30 First UK appearance of Swing legend Artie Shaw. Sat: singer/guitarist Richard Thompson. Sun: Leonard Slatkin conducts the Philharmonia (071-928 8800)

Queen Elizabeth Hall 19.00 David Freeman's Opera Factory production of The Coronation of Poppea, also Sat and Mon. Tomorrow: Mark Wigglesworth conducts the Premiere Ensemble in first British performance of Tristan Keuris' Michelangelo Songs (071-928 8800)

Barbican 19.45 An evening of Glenn Miller, Gershwin and Cole Porter. Tomorrow: Salvatore Accardo plays Tchalkovsky's Violin Concerto, Sat: John Williams with Attacca, Sun afternoon: Dietrich Fischer-Dieskau. Sun evening and next Thurs: Nigel Kennedy (071-638 8891)

PARIS

Palais Garnier 19.30 Marcello Viotti conducts Dario Fo's Amsterdam production of II barbiere di Ŝiviglia, with a cast including Gino and Louis Quilleo, Jean-Luc Viala and Jennifer Larmore, Runs till July 5, next performance on Sat. Tomorrow: ballets by Neumeier, Petit and Lander (4017 3535). Sat in Châtelet Wozzeck (4028 2840). Sun in Opéra Comique: Rossini double-bill (4286 8883) Opéra Bastille 19.30 Le nozze de Figaro with a cast including Margaret Price and Tom Krause. Runs until June 25, next

performance on Sat. Tomorrow: Marek Janowski conducts Bruckner's Sixth Symphony (4001 1616). Tomorrow in Salje Pleyel: Armin Jordan conducts a concert performance of Don Giovanni. with Alan Titus (4561 0630) Théâtre de la Ville 20.30 Cullberg Ballet, also tomorrow and Sat (4274 2277)

FESTIVAL DE SAINT-DENIS Saint-Denis, a northern suburb of Paris, this month hosts a series of concerts by major International artists. Kent Nagano conducts the Orchestre de l'Opéra de Lyon in tonight's popular programme of Saint-Saëns and Debussy at the Pavillon de Musique.

Tomorrow, Katia Ricciarelli sings opera arias with the Sinfonietta de Picardie conducted by Patrick Fournillier. Frl and Sat two one-act operas by Milmaud. Next week song recitals by

Nicolas Riveng and Nathalie Stutzmann, plus two performances of Honegger's Le rol David. The festival runs till July 8 (4243 3097)

■ PRAGUE

Martin Turnovsky conducts the Czech Philharmonic Orchestra in works by Novak, Britten and Ravel, tonight and tomorrow at the Smetana Hall (231 9164). The National Theatre reportory includes La bohème tonight and The Bartered Bride on Sun. The Prague State Opera (formerly: Smetana Theatre) has Ambroise Thomas' Mignon tonight, Tosca

tomorrow, Otello on Sat and La traviata on Sun. For pre-booking and Information about other events

contact city centre ticket agencies

(Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38 in the passage, 228714) and theatre box offices. UTRECHT

Vredenburg 20.15 Simon Rattle conducts the Rotterdam Philharmonic Orchestra in three fragments from Berg's Wozzeck (Elise Ross) and Bruckner's Seventh Symphony. Repeated tomorrow in Rotterdam and Sat afternoon in Amsterdam (314544)

ZURICH Opernhaus 20.00 John Cranko's

production of Romeo and Juliet, Tomorrow: Rigoletto. Sat: Die Zauberflöte. Sun: Ralf Weikert conducts first night of Cesare Lievi's new production of Capriccio, with Gabriele Lechner, Roland Hermann and Olaf Bär (also June 16, 18, 21, 24, 27, 30). Mon: song recital by Edita Gruberova. Next Sat: Carmen with Baltsa and Carreras (262

Tonhaile 19.30 Pinchas Zukerman is conductor and violin soloist with the Tonhalle Orchestra in works by Haydn, Neikrug and Beethoven. Tomorrow: Zukerman recital (201 1580). Sat and Sun: Anne Sophie Mutter and Yuri Bashmet play Mozart with Collegium Musicum Zurich conducted by Paul Sacher (261

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FINANCIAL TIMES

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Thursday June 11 1992

Doubts about Mr Delors

THE WEEK that has passed since the narrow rejection of the Maastricht Treaty by the Danish people has generated far more heat than light. This was inevitable. But light there has been, nonetheless. It seems clear, first, that the European Community cannot make progress without ratifying something not too different from the Maastricht Treaty: second, that some modifications to, or reinterpretation of, that treaty may be needed; and, third, that securing the necessary ratification will be

In so delicate a situation, many might wish for a cessation of normal business, while the EC grapples with its internal crisis. The EC has no such luxury. Two pieces of business, in particular, are so interlinked with hopes of ratification that they must be confronted head on. These are the futures, respectively, of the EC budget and of Mr Jacques Delors.

Mr Delors has been the principal protagonist of "more Europe" since his appointment in 1984. A far-sighted, yet practical visionary, nobody, be he devoted friend or enraged foe, can fail to respect his clarity and his courage. But he has made enemies, partly because of his zeal for the cause, but also because of the way he has lectured ministers and heads of government as if they were children.

He has lost none of his outspokenness. Yesterday in his speech to the European Parliament he chided the finance ministers of the richer BC nations for their failure to accept the fiscal implications of the Maastricht commitment. "There cannot be political union," he opined, "If it is not founded on a bloc which is economically and socially unified and coherent."

Debatable view

The economics of this view are debatable. An economic and monetary union can be combined with huge discrepancies in standards of living, provided differences in productivity are reflected in wages. But the politics are rather different. Poorer countries on the periphery of Europe insist that a political union implies a commitment to narrowing of income differences. They also insist that the pain of inflationary convergence and lower fiscal deficits needs to be eased if their still fragile polities are to survive the strain.

They are quite probably right. It

is, in any case, difficult to accept that the budget increase Mr Delors is proposing, from a ceiling of 1.2 per cent of the EC's gross national product to one of 1.37 per cent, can be a serious obstacle. Having swallowed the camel of economic and monetary union, the finance ministers are straining at gnats.

Flood of directives

As so often before, Mr Delors is doing little more than pointing out the logical consequences of the governments' own purposes. The same applies, as he noted, to the flood of directives, most of which have been necessitated by the single market programme. Even where the EC has most irritated particular member states — over fiscal harmonisation, for example, or the social charter — it has done so only as the mouthpiece for other governments.

other governments.

Even if Mr Delors has done little more than try to put the agreed goal of European union into practice, his reappointment for a further two-year term is not necessarily wise. The problem now facing the EC is how to secure ratification of a treaty that the Danes have already rejected. Fallure to secure a treaty at all would be disastrous for the EC's credibility. But reopening the treaty would take a great deal of time and

might fall altogether.

The most plausible strategy for getting over the present quagmire rests on making the notion of "subsidiarity" more credible. The British are not alone in objecting to the way the Commission probes into the "nooks and crannies" of national life. German officials are saying the same thing, parity to bring the Danes back into the fold.

Mr Delors speaks the same Isn-

guage. He told the Parliament that he wants to make the EC more open and accountable, to secure extension of respect for national diversity and to clear up the debate about sovereignty. This is, indeed, the right way forward. The question is whether Mr Delors, a man inescapably, however unfairly, identified with the aggrandisement of Brussels, can convince the parliaments and peoples of Europe of this apparently new direction. What Mr Delors says is, as always, worth listening to. The question governments

must ask is for how long he can

Collor comes down to earth

WHEN the dignitaries leave Rio de Janeiro this weekend after their deliberations on saving the earth, their host should return to more mundane matters of state; persuading a recalcitrant Congress to move on economic reform.

move on economic reform.

President Fernando Collor's economic programme hangs in the balance. Success on a variety of fronts is vital, the most significant being the passage into law of a comprehensive tax reform proposal, which is vital for long-term stability in government finances.

Fiscal consolidation is necessary

fiscal consolidation is necessary to tame inflation, now running at around 20 per cent a month. Without that, the conditions for a resumption of growth — the only answer to the country's pressing social problems — will not exist.

In April, the president gave himself a chance to break the political deadlock that has so far hampered his administration's economic reform efforts. His brother's recent allegations of corruption and drug abuse against the president may regrettably have set this process back.

The group of politicians Mr Collor brought into his cabinet in April has given the president the potential to deal more effectively with Congress, where he has lacked support since he took office in 1990. In doing so, however, he embraced traditional politicians for whom he expressed distaste in his presidential campaign.

New-found supporters

There are worries that this accommodation of old-style politicians will be accompanied by a return to old-style politics. The test of this will be whether in coming months public funds are distributed to the regions where the administration's new-found supporters are located, ahead of important local elections in October. This would compromise the government's fiscal policy.

However, the credibility of the

However, the credibility of the policy should be enhanced by the continuation in office of economy minister, Mr Marcilio Marques Moreira, and his team. It has helped gradually to rebuild Brazil's damaged image with foreign financial institutions, including international banks and the International Monetary Fund, with which the government has a

tand-by loan programme.

Continued fiscal stringency is needed not least to maintain the support of the IMF. Without it, a potential debt reduction accord now being discussed with international banks would unravel. That accord is needed to bring a boost in confidence which should help to lower domestic interest rates. This, in turn, would reduce the crippling cost of Brazil's internal debt, which feeds both the fiscal deficit and inflation.

Purse strings

The economic team held tightly to the purse strings in the first three months of this year, allegedly compressing government expenditure by 60 per cent in real terms from the same period last year. Even then, the government failed to meet the targets set for the first quarter of its IMF programme. The government says it is confident of meeting its half-year IMF targets. Although revenues should now be rising as delayed corporate tax payments start to flow, these are likely to be insufficient to avoid further drastic expenditure compression, which is neither sustainable nor desirable for long.

For a more permanent solution, congressional action is needed, first to reform and simplify the tax system, also making clearer the divisions of responsibility between federal and state governments, and second to reform the 1988 constitution, which at present makes Brazil almost impossible to govern. This would permit the necessary rationalisation of the state, allowing the government to

fire employees, for example.

By lowering tariffs and other measures, the Collor administration has, despite early mistakes, begun to shake up Brazil's cosseted, inefficient and state-dependent private sector. But progress is dependent on Mr Collor's breaking the political stalements

ing the political stalemate.

If he fails to do that this year, his chances of doing so in the last two years of his presidency will be remote. By then, the window that has opened for a resolution of Brazil's external financial difficulties may well have closed: the support of the IMF and what sympathy exists among international banks will not be extended indefinitely.

n the balmy heat of Belgrade, the Serbian capital, the impact of the United Nations sanctions imposed on Serbia and its ally, Montenegro, a week ago appear as far removed as the fighting and killing in neighbouring Bosnia-Hercegovina

Young and old sip Turkish coffees and smoke western cigarettes in the outdoor cases. Smartly dressed drivers in their BMWs and Mercedes speed up and down the main boulevards. There is little to disturb the peace in Belgrade. Unlike Croatia, or Bosnia, war has never touched the people of Serbia.

Yet many in the capital are afraid that the republic will soon be engulfed in civil war — a fear heightened by the imposition of sanctions. Those who have the money are beginning to stockpile food and other provisions in their cellars. Petrol is now rationed, with private car owners limited to 30 litres a month per car. Prices of basic goods have doubled in the past week. The country's steel mills are running out of coke and from ore imported from Latin America and eastern Europe. Even the mint in Serbia is unable to print money. It is running out of dinars, the unit of currency, because the watermark and paper are imported from the republic of Slovenia, which has also brought sanctions against Serbia.

The sanctions against Serbia.

The sanctions, which include a complete trade embargo on everything from textiles to cigarettes, the banning of all flights in and out of Serbia, a freeze on the republic's assets hald abroad, and the reduction of diplomatic staff in embassies, were imposed by the UN on Serbia for two reactors.

Serbia for two reasons.

First, they were aimed at forcing the Serbian president, Mr Slobodan Milosevic, to order Serb irregulars and the the rump Yugoslav army to stop fighting in Bosnia-Hercegovina. Second, in a less explicit way, western governments hoped that sanctions would lead to the overthrow of the Milosevic regime through anti-government demonstrations, and the subsequent installation of a pro-European damocratic government in Belgrade.

So far, there are no signs that the guns will fall silent in war-torn Bosnia. Serbian irregulars continue to expel Moslems from villages with the aim of creating ethnically pure regions. Croatian forces continue to try to form bridgeheads between Croatia and Croat-populated areas of Bosnia. The population of Sarajevo, the Bosnian capital, is on the verge of starvation following a two-month sleep imposed by the Serb irregulars and the Yugoslav army.

Even if there is a formal end to the war, the desire for revenge among Bosnia's three ethnic groups means that the killing is likely to continue – although perhaps not so systematically – in that republic.

In an attempt to distance Serbia from the war in Bosnia, to end the UN sanctions, Mr Milosevic is now discoving the Bosnian Serbia, whom he once supported. He has said that Serbia is not involved in the civil war in Bosnia-Harcegovina. His government ministers repeatedly claim that the sanctions are unjust because Serbia is not the only guilty partner.

At the same time, the sanctions have not yet galvanised the opposition into effective action against the Milosevic regime. This is because the opposition is fragmented between nationalists and liberals, and both groups are too weak to attract public support in their attempt to topple Mr Milosevic.

For example, the armed, ultranationalist Serbian Radical party,

No shelter from the storm

Imposition of UN sanctions against Serbia is exacerbating fears that the civil war will spread to the republic, says Judy Dempsey

led by Mr Vojislav Seselj, regards as traitors anyone who opposes the creation of a Greater Serbia, who wants a free press, or who advocates rights for the ethnic minorities in Serbia. The party enjoys considerable support in the countryside and in parts of Belgrade.

Another opposition movement, the Serbian Renewal party, based in one of Belgrade's more fashionable suburbs, is a motley collection of nationalists, conservatives and monarchists. Led by Mr Vuk Draskovic, one of the few Serb politicians who spoke out against the war in Croatia and Bosnia, the Renewal party also believes in a Greater Serbia and the re-establishment of the former Yugoslavia on the lines of a confederation.

Hopes that the Democratic party,

the most liberal of all the Serbian opposition movements, will emerge as a viable force against the Milosevic government remain misplaced. Politically, its leaders want a democratic Serbia. But Mr Zoran Djindjic, one of the Democratic party's most articulate leaders, says that speaking openly about democracy in Serbia. — which includes granting ethnic rights to the Albanians in Kosovo, the Moslems in Sanjzak in south-western Serbia, and the ethnic Hungarians in Voj.

amount to electoral suicide.

"The civil society is very weak here. Serbs do not reflect about democracy and its implications," said Mr Djindjic. A senior Democratic party official said: "Serbs simply do not care about the ethnic minorities, particularly the Albanians. They despise them."

vodina, northern Serbia – would

evertheless, in spite of such evidence of a weak attachment to democratic political traditions in Serbia, the Democratic party wants to form a transitional government of national consensus which would include Mr Milosevic's ruling Serbian Socialist party. Although members of the Socialist party are beginning to try to distance themselves from Mr Milosevic's regime, his support is still strong enough for him to dictain the terms of any power-sharing arrangement.

Mr Dindic said last week a coalition government would prepare for free, damocratic elections, monitored by international observers. He admitted that, by including socialists in any coalition government, the Democratic party's supporters would accuse it of selling out to the Milosevic regime. He also said that the Serbian president would try to use that government to remain in power, or even to pre-empt efforts to bring damocracy and stability to the republic by fomenting civil war.

"The ingredients for war are all here in Serbia," explained Mr Djind-





fic. He said thousands of Yugoslav federal army officers and their families had withdrawn into Serbia when they were forced to leave the other republics under the terms of the UN agreement in Croatia; 500,000 refugees had fied to Serbia from Croatia and Bosnia-Hercego-

Serblan president

were jockeying for power.
Given this stmosphere of recrimination and rivalry, the Democratic party is increasingly concerned that any delay in setting up a coalition government will give Mr Milosevic an opportunity to orchestrate unrest in order for the socialists to remain in power.

vina; and the extreme nationalists

"Milosevic always finds a crisis to generate a conflict as a means of deflecting Serbia's problems," explained Mr James Gow, a specialist on the Yugoslav army at King's College, London.

But unlike previous occasions, Mr Milosevic can no longer rely on fomenting unrest in neighbouring republics to deflect attention from the republic's own problems: unemployment is about 20 per cent, industrial production is down about 20 per cent in the first quarter of this year compared with the same period of 1991; inflation is 150 per cent a month, on top of a rate of 1,000 per cent for 1991.

Desperation at being boxed in may, however, make the Serbian president more unpredictable in the measures he takes to stay in power. United Nations peace-keeping troops have been deployed in Croatia. The Yugoslav federal army has withdrawn from the independent republic of Macedonia. What remains is Kosovo, which is the president's trump card, or potentially his Achilles' heel, as he calculates his next move.

It was in this wretchedly poor province of 2m ethnic Albanians that Mr Milosevic began his rise in power in 1987. By using the rhetoric of nationalism, he accused the Albanians of persecuting the small Serb and Montenegrin ethnic minorities.

and Montenegrin ethnic minorities.

By exploiting Serbia's historical claim on Kosovo, once the cradle of Serbia's medieval empire, he railied enough support to incorporate the province forcibly into Serbia in 1990. Since then, Kosovo has been run by Belgrade like a police state, and the civil rights of the Albanians — who make up 90 per cent of the population — have been suppressed.

espite this violation, the ethnic (Mosiem)
Albanians, led by Mr
Vettin Surroi and Mr
Ibrahim Rugova, have adopted a policy of non-violence. But western diplomats doubt that this policy can continue.

this policy can continue.

"The tension is building up in Serbia because it is sitting on a time bomb — in Kosovo, its own back garden. Milosevic cannot hopefor any stability in the new Yugo-slavia as long as he continues to repress the Albanians," a western diplomat said.

But Serbia is saddled with a paradox: no party in Serbia can win at the ballot box if it guarantees to protect the civil rights of minorities in the republic including the ethnic Albanians. Yet no stability in Serbia is possible without granting ethnic rights to the minorities.

The possibility of war in Kosovo is of increasing concern to western governments, particularly the US. American diplomats say that Albania would support its fellowethnic Albanians in Kosovo if nationalists around Mr Seseij or Mr Milosevic provoked a war in the province, or indeed, if the ethnic Albanians themselves attempted to rebel against their Serb government.

In such an event, the ethnic Albanians in neighbouring Macedonia, who make up 20 per cant of the population, and the government of Turkey would probably support Kosovo as well: "Turkey has had enough of the slaughter of their fellow Moslems in Bosnia. They won't stand idly by next time. They might arm the ethnic Albanians," a diplomat cald.

State Company

However, few diplomats, or liberal intellectuals in Belgrade, can see a way out of the impasse. They fear that instability triggered by an outbreak of war in Kosovo will spread throughout the Baikans in a conflict which could last for many

Western governments have so far ruled out military intervention, either in Sarajevo or to protect Kosovo's Albanians, because they are unsure what such a move would achieve. They are not even certain that sanctions, even if they stay in place against Serbia for many months, will force the Serbian leadership into starting negotiations with its ethnic Albanians. With Mr Milosevic at the heim, and ultranationalists waiting for him to falter, the depressing likelihood remains that things will get worse rather than better.

BOOK REVIEW

A surplus of gloom

ontemporary western writing about Japan tends to fall into a number of distinct genres. There is the American school of Japan-bashing, which relates Japan's unrelenting quest for world economic domination and, in extreme manifestations, how this will lead to war between Japan and the US. At a somewhat subtler level are the revisionists, who seek to describe how Japan organises its economic and social affairs and why this leads it to indulge in unfair international trading. Conversely, there are those writers who simply marvel at the phenomenon that is Japan's economy and want to learn from its success.

Japan: The Coming Collapse is, as its title suggests, none of the above. It falls into another genre which appears to be just coming into vogue: the doomsday scenario. The startling thesis advanced by Brian Reading, a former economics editor of The Economist, goes like this: the massive deflation of asset values in the Tokyo stock and real estate markets of the past two years is merely a taste of worse to come; the banking system is on the point of collapse; growing trade friction with other industrialised countries will help to tip the economy into a protracted recession. Worse yet, he argues, governments will fail to produce the necessary political, economic and social reforms, and Japanese politics will move from its current consensual paralysis to a state of confrontation and anarchy. In short, in the book's words, "this is no economic superpower bent on world domination. It is a hara-kirl

economy set to self-destruct."

Reading's analysis is as beguling as it is compelling. Not the least of its attractions is that it appears to point to a conclusion in which many of us secretly want to believe that the Japanese economy is so fundamentally flawed that it will

JAPAN: THE COMING COLLAPSE By Brian Reading Weidenfeld & Nicholson, £18.99, 310 pages

soon collapse under the weight of its own contradictions, and in the process become a less daunting competitor. There is only one problem: it is far from clear that the analysis will come true.

To be sure, the Japanese economy

is not in the best of health right now. Japanese banks are labouring under a bad-debt burden that will take years to sort out. Bankruptcies are at record levels. The stock market is punch-drunk, and property is still going south. The once-invincible carmakers and electronics companies are struggling. The trade Japan's trade partners are looking for weapons with which to lower it. The question is whether this all adds up to Reading's apocalypse, or to a transformation that is less cataclysmic, more complex, and - dare one say? - less susceptible to description in publisher-pleasing

Reading is at his most plausible and interesting when he is seeking to diagnose what is demonstrably wrong with Japan's economy and society; the defects in its tax system, which suffers rampant evasion and has long failed to collect adequate revenues for the government; the absurdities of its land-use policy, whereby most Japanese city-dwellers are forced to live in little boxes, while urban farmers are subsidised for growing rice on minuscule plots next door; the ills of money politics, and the failure of the political system to cater to the needs of Japanese consumers as well as producers.

Where he is less convincing is in suggesting that Japan's problems in

order from those of many other industrial countries. And where he is not convincing at all is in predict-ing that all these factors will inevitably combine with the hangover from the 1980s boom to produce an economic and, finally, political mega crisis. The injection of a superficial chapter covering Japan's history, from the beginning to 1945, does not help. Nor does the repeated misspelling of the name of the Federal Reserve chairman, Paul Volcker. The troubling fact is that signs of the meltdown Reading describes are hard to discern in Tokyo. Yes, there is a severe economic slowdown, and yes, the economy probably is in for a prolonged period of slow growth even when it starts to recover. Yes, the financial system is in trouble and will not be a source of cheap and easy credit again for many years to come. Yes the political system is corrupt

probably irredeemably so.

But Japan's is scarcely expected to be the only slow-growth economy in the 1990s, and it will continue to benefit more than some others from its high level of capital investment and savings. And while it is true that investment yields have been miserably low in Japan for years, largely as a result of expectations of never-ending capital growth, it is not automatic that the end of rising share prices will cause investors to demand a quantum leap in yields, as Reading suggests.

as Reading suggests.

In short, like all polemicists, Reading overstates his case. This is a shame, because among the prophecies of doom are some telling points about the way Japanese society is changing and in some respects becoming more like the rest of us. The task of writing an authoritative and considered economic history of postwar Japan in English has yet to be accomplished.

Andrew Gowers



ECONOMIC VIEWPOINT

Emu: time to go back to evolutionary approach

Group supporters of the Danish refer endum, because they dislike "Europe", or fixed exchange rates, or supranational bodies. But it might be worth explaining why I should have given at least two cheers, as someone who favours an eventual European currency, and has no hang-up over a European political authority, so long as its functions are con-fined to currency, external and

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other classical functions of a limited federal government. Central European countries would have no difficulty in participating in a minimalist ederation of this kind. The best account I can give of my attitude is by recalling an occasion when a Euro enthusiast was asked about a remark of Ludwig Erhard, then German' chancellor. Having made sure that the Chatham House rules of non-attribution were being observed, the Euro-crat said: I was talking about

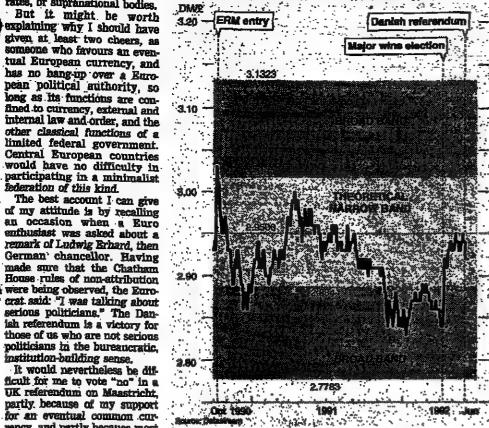
institution-building sense.

It would nevertheless be difficult for me to vote "no" in a UK referendum on Maastricht, partly because of my support for an eventual common currency, and partly because most of the objectionable features in Community practice - such as interference in working hours and conditions of employment or Commission "environmentai" directives on road and rail projects - are justified by their promoters with reference to the original Treaty of Rome or the small print of the Single European Act. Maastricht, by comparison, is harmless. The prime minister himself defends it in terms of what it omits. It is not worth the cereer of a

single cabinet minister. Having said this, the Danish result is a still a tonic for those of us who are much keener on the exchange rate machanism (ERM) than economic and monetary union (Emu). For the latter, as put forward from accompanied by proposals for. I am citing a vast regional and structural British govern-funds to build cathedrals in the ment paper suits desert and a "social dimension", which was anti-social and job-destroying. These plans have received a setback

the Danish referendum.
With the automatic Masstricht timetable now in trouble it is clear that the best way to a single European currency is through a strengthen-ing of the ERM. There was, indeed, once a British Treasury paper taking a similar line, By Samuel Brittan

Sterling only slightly hurt



which warred that "administratively imposed changes would inevitably fail to foresee future developments".

On the other hand, the paper argued, the strengthening of the internal market and "convergence on price and exchange rate stability would lead to rarer realignments, and smaller fluctuations within the ERM bands. With minimal exchange rate uncertainty, and reduced costs of switching between currencies, all Community currencies would become effec-

tively inter-Maastricht is changeable; and the system harmless — not "could svolve worth the career into one of of a single fixed exchange cabinet minister

ment paper entitled An Evolutionary Approach to Economic and Monetary Union, published in November 1988. The paper was conceived in Nigel lished when John Major had taken over as chancellor. It was thus an orphan.

The earlier chancellor had been attracted by Friedrich Hayek's notion of competing currencies, but competing within their ERM bands. John Odling-Smee, who headed the to which a new European unit

The scoffing was also to be

beard in the UK. Sir Michael Butler, former British representative in Brussels, dismissed the Treasury paper because it did not involve a new institution and did not require an amendment to the Rome Treaty. His enthusiasm for the hard Ecu (invented not by him but by Paul Richards, a thoughtful and genuinely charming economist-turned-banker) derived mainly from the fact that it did require an institution which Britain could propose at an international

the top table. I always found, however. that the hard Ecu, treated as a serious economic proposal, involved excessively long claims of hypothetical reason ing to form an easy judgment moon; and it would only be confusing to revive it now.

The evolutionary route to monetary union was always the one most likely to work. It may now become the only one. So far the Danish referendum has given only a tiny jolt to the credibility of the ERM. Sterling has lost only a small proportion of the gains which it received after John Major's surprise election victory. The French franc has also fallen by a couple of centimes agains the D-Mark. Sterling and franc

bonds have similarly suffered a minuscule blow. The big jump has been in Italian bond yields, deservedly so given that Italian participation in Emu would have flown in the face of financial reality. ("In contrast to the British, we wanted the Germans to sort out our financial affairs," said an Italian friend.)

But there is a problem. The French willingness to beer the apparent secrifices of sticking to an unchanging D-Mark parity was linked to the goal of a political Europe in which France would have a much greater say. Even in the UK early advocates of ERM membership saw it as a way of imposing monetarism by the external backdoor on the Tory "wets". A Big Idea is still needed, in default of the Masstricht ambitions, to hold Euro pean currencles together.

There is such a big idea, but it would require a Gladstone to bank, joined together in scoffgive it demagogic appeal. It is that of limited government cies. (A short train ride to based on the rule of law and choice was exercised in their exercised by the people at the grass roots. So long as the idea is called "subsidiarity" and monetary union, they both averred, had to have a single currency, and that was that. In so doing they both exaggerated the importance of legal tender remains in Eurospeak, it will not be powerful enough to withstand the demagogues and interventionists who still hanlaws and overlooked the extent

LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Negative EC leaders failed to equity explain subsidiarity overstated

From Mr Stanley Crossick. Sir, "Unnecessary in its Sir, The estimate of the num goals, obscure in its language, her of borrowers with negative incompetent in its detail, the equity, which early drafts of a Maastricht Treaty has few Phillips and Drew report sugredeeming features," wrote gest is between 1.5m and 2m -Martin Wolf ("A break in the and which you reported on march of history", June 6). His June 6 ("Homes that fail to article (alls to support such an hold their value") - ignores

Moreover, in declaring that "nothing in historical experi-• The report assumes that myone obtaining a mortgage ence suggests such a structure is feasible, let alone desirable," of 90 per cent of the purchase price in, say, 1988 and who has Mr Wolf reveals an unwillingsince seen house prices fall by ness to learn from, or even more than 10 per cent, now has negative equity. However, Martin Wolf is, however 750,000 council houses were right in stating that the treaty

> not the abuse of power nor the balance of power. Recognising the long-term limits of intergovernmental co-operation, the Maastricht Treaty continues the policy of

is basically about power - but

repayments not associated with redemption has also more than doubled to more than £2hn over the same period. Some horrowers do have

negative equity. However, concentration on the relationship between one asset (home) and one liability (mortgage) tells us nothing about the ability of borrowers to move home. In many cases, especially in northern England, the extent of negative equity can be mea-sured in hundreds, rather than European integration and

Moreover, it introduces the principle of subsidiarity, ie that the Community shall act only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the member states and can therefore, by reason of the scale or effects of the pro-posed action, be better achieved by the Community."

Unfortunately, Community leaders have falled to explain to the people - let alone convince them - that the princi-ple of subsidiarity guarantees that there will in future be no unnecessary interference from Stanley Crossick

chairman. Belmont European Policy Centre,

thousands of pounds. A major weakness of the report is its inability to quantify the cash summ involved.

There are other technical comments that one might make on the report. Overall, however, the 1.5m estimate of borrowers with negative equity significantly over estimates the true girostion.

Adrian Coles, Council of Mortgage Lenders, 8 Savile Row, London WIX LAF

Referendum a denial of sovereignty

From Mr Bryan Cassidy MEP. Sir, As one who is far from disconcerted by the result of the Danish referendum on Maastricht, I nonetheless find it odd that in the UK those who are now shouting the loudest for a referendum are those who used to be staunch defenders of the sovereignty of the House of Commons.

Isn't a referendum a denial of the sovereignty of parlia-

ment? Bryan Cassidy. MEP Dorset East and Hamp White Cliff Gardens, Blandford

Riposte from the Palace?

Dorset DT11 7BU

From Mr Brian R Gill. Sir, An error clearly crept into the caption of your photo

story on page 8 on June 9 ("Vanguard"). Surely the military convoy led by a Scorpion armoured vehicle was on its way to News International's Wapping plant as the Palace's considered response to the weekend's inflammatory stories. Brian H Gill,

Minister has not dealt with many problems of contracting out

Sir, May I add a few points to your balanced and thoughtful editorial on the "Long road to Whitehall reform" (June 3), without falling into the category of "the reservations so skilfully expressed in White-

From Mr Adrian Coles

four crucial factors.

sold at an average discount to market value of 50 per cent

between 1987 and 1991. Sitting

tenant council house purchas

ers would need to experience

price reductions of at least 50

per cent before entering nega

• The report assumes no one

who purchased between 1987

and 1991 has subsequently

moved. This is an extreme

assumption which clearly exag

gerates the number of horrow

The report assumes that bor-

rowers do not make any repay-

ments. There has been a sharp

increase in the flow of regular

repayments, the figure for

building societies alone rising

from less than £2hm to more

than £4.5bn between 1989 and

1991. The amount of lump sum

ers with negative equity.

tive equity statistics.

Representing almost 80 per cent of the emior civil servants in Whitehall, the FDA wel-comes minister of public ser-vice William Waldegrave's sup-port in our campaign for greater openness which we have pursued since 1986, often in opposition to the government and Conservative back-

But Mr Waldegrave did not

deal with many of the serious problems underlying the contracting out of central govern-

For example, the issue of impartiality. We are not told whether each part of the civil service to be contracted out will have its own "watch-dog" body, but an enormous proliferation of such regulators can be anticipated if public confi-dence in impartiality is to be

Or confidentiality. How will the private sector guarantee confidentiality when it is dealing with our tax affairs? How many businesses in the commencial arena want that business competitors to be fully conversant with their financial

Then there is the risk of conflicts of interest. For example, a legal firm may be in difficulty when dealing with a customer in a manner which is prejudicial to the public interest, while at the same time retaining a contract for government work.

Finally, at senior levels, those in the private sector are consistently very much better paid and more expensive than their civil service counterparts. Barristers' advice in the civil service costs about £80,000 a year whereas the private sector pays well over double that fig-

Sadly we lack a real public debate. The contracting out of individual parts of the civil service will need no parliamenan independent assessment o real value for money will

become vitally important. We have suggested to William Waldegrave that all tenders for contracting out work should be referred to the comptroller and auditor general. We hope our suggestion, which is designed to be helpful, will receive a fair hearing. Elizabeth Symons, general secretary,

2 Caxton Street, London SW1H 0QH

OBSERVER

Name on the line

■ Pest...fancy owning the Greenwich meridian? A threeyear lease on the world's best known line is being offered by the Old Royal Observatory in London's Greenwich Park, at £150,000 per annum.

Besides being a snip compared with the Jubilee line extension, the meridian isn't entirely imaginary. At least a few yards thereof are marked on the ground for tourists to straddle and be photographed with one foot in the western hemisphere and the other in the eastern. The hope is that some company might like to get its name in the picture by becoming the line's official sponsor, so helping to re-develop Greenwich's

The plan is to have nine galleries housing astronomical instruments and the like, some dating back beyond the observatory's foundation by Charles II in 1675, according to project chief Stephen Deuchar. "The work will cost 2600,000. So we thought, since Accurist is now sponsoring British Telecom's speaking

clock, why not the meridian?" Well, perhaps so, Observer said. But whatever next - put Greenwich Mean Time itself on the market?

"How much a second d'you think we could get for it?", answered Deuchar.

Charmless

Like many British businessmen who were industry of the 1960's, GrandMet's Sir Allen Sheppard shoots from the hip. Even so his minders must have winced at his explanation at yesterday's CBI corporate governance conference on why | International Helicopters to

he doesn't have any women on his board.
Sir Allen said he would dearly love to appoint a woman with the qualities of

Sir John Harvey-Jones or Sir Dick Giordano, two of his most famous non-executives. But any woman seeking to match them "would have to have an" operation." His audience, liberally sprinkled with women, didn't see the joke.

Strategic choice • One question that has been intriguing London's community of strategic thinkers for the past eight months — where will Francois Heisbourg, the high-flying Institute for Strategic Studies, land next? - seems to have

been resolved.

The bubbling 42-year-old
Frenchman will not for the
moment be launching himself into politics. He's joining the defence and space division of France's Matra group, as senior vice president, when he vacates the IISS post in October. The former diplomat and defence ministry adviser had a three-year spell with industry before, at statecontrolled Thomson-CSF, but this will be a more senior job.

What will he be in charge of at Matra? Why, strategy, of course.

More whirlybirds

■ No sooner has Michael Heseltine returned to the inner circle of the cabinet than he has found himself mucking around with helicopters again. Let's hope he's luckier than he was last time.

Back in 1986, during the infamous Westland row, he lost his job and the strategic battle. Yesterday, he referred two bids for Maxwell's British



team of officials then in

charge, came however to the

conclusion that, except during

Latin-American type hyperin-

flation, most people would stick for most transactions to

the currency with which they

were familiar. His idea was

competing monetary policies in

which the country with the greatest non-inflationary credi-

bility would have the lowest

interest rates. But there was

room for the two ideas jostling

What sticks in my memory,

Pohl, then head of the Bundes-

ing at choice among curren-

Geneva or Salzburg would

own backyards.) A European

however, is the

contemptuous

way with which

the idea in any

shrugged off by

the continental

establishment.

Jacques Delors

guise

"Every eight seconds, the US loses another acre of credibility"

the Monopolies and Mergers Commission. Although President Resolting has not chosen sides, it would be surprising if he was not secretly rooting for a victory for the only unreferred UK bidder, the management buy-out team operating under the unglamorous name of Vidhop Ltd.

Persistent

Not everyone at yesterday's Santchi and Santchi AGM seemed overjoyed by the hard work the advertising giant had put in getting the Tories re-elected. One questioner reminded chairman Maurice <u>Saatchi that last year he had</u> asked him if newspaper reports saying Saatchi was yet again going to work for the Conservative Party in the election were true. Maurice told him not to believe everything that he read in the

"I now read in the newspapers that Saatchi is going to work for Ross Perot in his bid to become US president. Is that true!", asked

With scarcely a pause for breath, Maurice Saatchi said: "I am afraid the reply is the

Plane fair Remember the fuse about

John Major's clapped-out plane which shuttled him around central Europe last month? must think he is a wise, thrifty hero compared with their President, Franjo Tudiman. Tudiman's sense of importance of a republic which

is the size of Wales, reached new heights when the United Nations, rather reluctantly, membership to the UN. Slovenia, and war-torn Bosnia-Hercegovina, joined at the same time. While his neighbour from Slovenia, Milan Kucan bought

a return ticket to New York without any fuse, and Bosnian president, Alija Izetbegovic had to remain in the besieged Bosnian capital of Sarajevo because it was too dangerous to leave, Tudjman pulled out all the stops. He spent US dollars 18m on

a new plane.

Riposte

■ Vociferous Labour MP Dennis Skinner's non-stop heckling was neatly countered by social security secretary Peter Lilley during the Commons debate on the Maxwell pensions scandal If the left-winger went on

interrupting his speech, he said, Hansard's report of the debate would keep printing their two names one after the other. Wouldn't the repetitions of Lilley and Skinner give the Labour MP's fellow socialists the idea he was part of a capitalist parinership? For a moment, at least, the

oftware Star



Granada Television (GTV) is arguably the most successful independent TV company in the UK, with an enviable 36-year record of broadcasting highly popular pro-grammes such as Coronation Street and World in Action.

"There's a special skill in sustaining that relationship with a viewer," says Wall. "We've done so for many years, and our advertisers obviously appreclate it environment our advertising tumover was £165 million.

Wall attributes this success to a hardworking sales team and flexible computer software: "We use the ADage airtime sales system built exclusively on Computer Associates' CA-DATACOM® and CA-IDEAL® software products."

Wall recognised the benefits of adaptability a long time ago.
"Once an ad goes out," says Wall, "you can't go back and resell the airtime. So we needed a key management tool to assess the best match of product versus audience viewing in a particular break."

product-based system provides much more than that, including direct links to agencies so they can see what "The system has helped us to increase our market

The versatile CA

share substantially," says Wall.

It has also given them confidence in their ability to achieve future objectives. Wall explains: "The satellite boom and other big changes in the market are upon us Thankfully, the CA products provide a very flexible base that enables us to constantly adapt the sales system as we enhance the way we sell.

"You can't predict the future, but with a system built on CA products we're ready for the next episode

Postfach 15 03 61, Marieth Darmstadt, Deutschland. Telephone 6151 949-0.

Maxwells' involvement in MCC share buying is documented

By Andrew Jack and Robert Pestan in London

DOCUMENTS which show for the first time that both Mr Robert Maxwell and his son Kevin were intimately involved in substantial purchases of shares in Maxwell Communication Corporation, one of their own public companies, have been obtained by the Financial Times.

Meanwhile, a director of a secretive Swiss trust, Mr Werner Rechsteiner, has broken his silence and admitted that transfers of MCC shares to his trust, which are at the centre of an investigation by the Serious Fraud Office, were made on the instructions of Robert Maxwell.

This is the first time Mr Rechsteiner has given details of the relationship between his mysterious trust, Yakosa Finanzierungs, and the Maxwell family.

The FT has also obtained a letter and seen a corroborating fax showing that Mr Kevin Maxwell was intimately involved in the purchase of 9m shares by Yakosa and a further 16m shares by Servex, another Swiss Trust.

The MCC purchases by Yakosa and Servex are the object of an investigation by the SFO into an alleged illegal scheme to support

UN officers

in Sarajevo

drawing the line has come."

"The UN should authorise

nation states to use force. Nato

should draw up plans for a com-

prehensive use of force as thor-

ough as that formulated for air,

sea and ground forces in Desert

Senator Lugar's intervention is

an attempt to break the logiam of US political indifference to events

in Bosnia-Hercegovina. This afternoon the Senate foreign rela-

tions committee is to take public

discussion further in special

A convoy of 41 UN cars, trucks

and an armoured personnel car-

rier left Belgrade on the rugged

300km drive to Sarajevo, where 300,000 residents are trapped by

and face starvation.

Rival militias have continued

The UN troops, drawn from Canada's Royal 22nd Regiment,

are already preparing to leave Sector D, the UN protected area

in central Croatia, where they

have been deployed for some

They will be equipped with 80

armoured personnel carriers to safeguard the flow of humanitar-

ian relief supplies through the

Under the terms of the agree-

ment, the airport can only be

opened once all anti-aircraft

weapon systems have withdrawn

from areas around the airport.

Those areas will then be placed under ITN supervision. In addi-

tion, all artillery, mortar and

ground-to-ground missile systems

and tanks within range of the

airport will be concentrated in

if these conditions are met, the

airport will be brought under UN

areas agreed by the UN.

airport into Sarajevo.

shelling and battling in the

streets of the Bosnian capital.

Continued from Page 1

Storm."

also investigating whether Mr Robert Maxwell or Mr Kevin Maxwell breached the Companies Act by failing to disclose the purchases of the shares by the Swiss trusts. If either had a financial interest in the Swiss trusts, the purchases should have been disclosed under company law.

The documents demonstrate that Bishopsgate Investment Trust, a private UK company controlled by the Maxwell family, provided £55.33m (\$100.64m) on behalf of the two Swiss trusts so that they could pay for the MCC shares. Goldman Sachs, the US invest-

ment bank, acted as broker to the deals. Goldman's lawyers are convinced that it acted properly. Mr Rechsteiner yesterday broke the silence he has main-

tained since Robert Maxwell's death in November on the subject of his relationship with the Maxwell family. He said MCC share purchases had been "going on for some time" through Yakosa. He denied that the shares were bought for Yakosa's own account". He said the shares were bought for other "foundations" and then "held for a certain time."

He also stressed that owner-

rested with Robert Maxwell once they had been received Yakosa: "Yakosa is owned by the Maxwell Foundation," he said. Mr Rechsteiner refused to say who controlled the Maxwell

Foundation, which is based in Liechtenstein, but said it was neither Robert nor Kevin Maxwell. The FT has, however, obtained documents showing that Mr Kevin Maxwell was closely involved in the process of paying for 25m MCC shares on behalf of

two Swiss trusts, Yakosa and

On May 29 last year, Mr Kevin Maxwell sent a fax to Mr Larry Wood, an executive director of Goldman Sachs, telling him that two parcels of 12.5m MCC shares each would be bought by the Swiss trusts with £55.33m provided by BIT, a Maxwell private company. The fax, signed by Mr Maxwell, said that the funds would be remitted to Goldman Sachs "by Bishopsgate Investment Trust PLC from its account at National Westminter Bank plc, 41 Lothbury". Two other faxes sent by Mr Kevin Maxwell to Mr Wood on the same day show that the former was equally involved in the other end of the transac-

tion, the sale of the 25m shares.

The Swiss trusts bought the shares, using Goldman as broker, from two Maxwell pension funds, Maxwell Communication Pension Trustee (Works Scheme) and Mirror Group Newspaper Pension Trustee (Works Scheme).

Each pension fund sold 12.5m shares at a price of 219.78p a share, or £27.47m in total: At 6.29pm on May 29, Mr Maxwell sent the two other faxes to Mr Wood on behalf of the two penmon firmes

As a director of MGPV and as a trustee of MCCPT, he told Mr Wood to pay each pension fund what it was owed to the NatWest account of BIT, which Mr Max-well described as "nominee" for the two pension funds.

In other words, he told Mr Wood that the shares were being bought for the Swiss trusts with funds provided by BIT and that by Goldman back to BIT.

In the event, on May 31, Gold-man received the £55.3m by wire transfer in its account at Barclays. Goldman then levied its commission and expenses on the deal of £385,000 and wired the remainder back to BIT's NatWest ecount.

NatWest seeks ruling Page 9

at US release of

By David Gardner is Tireseels and Nancy Dunne in Washington

THE European Commission vesterday reacted angrily to the publication in Washington of a may suffer punitive tariffs if the

This listest exclution of the oil seeds row casts a pall over prospects of concluding the Uruguay Round of talks on world trade liberalisation, in which the US and EC can still not agree on how far each side should cut

across wine, cheese, biscuits, gin, liqueurs (but not whisky) and tobacco, will be pared to \$1bn after 30 days of being open to public suggestions. This is a notional estimate of damage caused by EC discrimination against the US's powerful soya-

block about a quarter of EC food

exports to the US.

The EC has taken up a Gatt panel option to offer compensation to US exporters, while still challenging the Gatt ruling which found that EC policies impair the duty-free status accorded soyabeans in earlier negotiations. The EC hopes the issue will be settled in the Uru-

said yesterday. Mr Ray MacSharry, EC agricul-ture commissioner, said that "it would seem from this action that the US is not interested in peace in international trade."

The EC proposal over oilseeds will be put to the next meeting of the Gatt Council on June 19. At the last Gatt Council meeting the EC blocked a report from the dispute settlement panel which, for the second time, found against the EC.

EC anger exports hit-list

\$2bn European Community food exports "hit-list", half of which EC fails to reform its oilseeds subsidy regime.

furm gubaldies. The \$2bn list, which ranges

been exporters. Imposition of the list would

Officials in Brussels described the action as "totally without justification since it lacks any legal basis" within the General Agreement on Tariffs and Trade (Gatt) disputes procedures, now ostensibiy being followed by both

guay Round. Compensation would do nothing to answer US soya farmers'

"What is needed is fair access into the EC market so US soyabean farmers can compete for the market. This can only be accomplished through reductions in the EC offseed subsidy programme," Mr Gary Riedel, president of the American Soyabean Association,



Peace protest: More than 3,000 students held a demonstration in Belgrade calling for the resignation of Serbian president Slobodan Milosevic as Serb forces continued to shell Sarajevo

UK cabinet denies split on Europe

By Naiph Alkimu

UK CABINET ministers moved yesterday to quell reports of splits within senior government ranks over the Maastricht treaty. Mr Peter Lilley, social security secretary and one of the most Euro-sceptic cabinet ministers, last night released statements denying that he was at odds with Mr John Major, the prime minister, over Maastricht. Mr Norman Lamont, chancellor

of the exchequer, said on BBC radio that "the government is united on this question". Ministers acknowledged pri-

vately, however, that the government is under fierce pressure from Tory MPs, even in more pro-Europe sections of the party, to look for greater revisions than it has been prepared to contem-

As Labour MPs yesterday voted to keep their options open over

World

Weather

tactics on the Maastricht bill, some Conservatives said the government would be defeated if the Commons voted on the treaty before the summer recess.
With Mr Douglas Hurd, foreign

secretary, in France until Friday and Mr Major in South America, speculation at Westminster of government rifts and possible resignations has grown - centred on reports that Mr Lilley and Mr Michael Portillo, chief secretary to the Treasury, attended a meeting of Tory Euro-sceptics last week.

Conservative business managers were yesterday warning of "black propaganda" by the most radical of Euro-sceptics who, they said, were keen to talk up the

government's dilemma. Mr Portillo's aides said be agreed fully with Mr Lilley's statement and backed the government's position.

So far, the Foreign Office has

in order to overcome the Danish referendum result. It argues that a renegotiation would not be to Britain's advantage and could wreck the government's ambitions for its presidency, which begins on July 1.

The Foreign Office has already suggested Britain may try to add an addendum to the Masstricht

hinted at only limited flexibility

treaty reinforcing the principle of subsidiarity, by which decisions are made at the lowest appropriate level of government. Underlining his scepticism about fast moves towards European union, Mr Lamont said that

the debate on Europe had altered since the Danish referendum's rejection of Maastricht. He added: "We don't want to see ever more resources being taken from individual countries

and appropriated to the centre."

Public opinion could not be ignored, Mr Lamont said.

** C F
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THE LEX COLUMN

Qualifying assets

The stock market has long been tak-ing property company asset values ment that the auditors Ernst & Young intend to qualify Regulian's report and accounts is nevertheless welcome for bringing the issue out

into the open. No doubt the firm's decision owes something to the self interest of the accountancy profession. Investors have been getting increasingly liti-gious of late - and not just on the far side of the Atlantic. So when a board of directors say that their assets are worth 105p per share and the market is only prepared to pay 22p (or 15p by yesterday's close) it is understandable that discretion should prevail.

Valuation, of course, has always been an inexact science and never more so than in current market conditions. The problem in the Regalian case is not just that there are few deals against which to measure the company's estimates, but the fact that the valuations have been carried out by the directors themselves. This is perfectly acceptable under accounting standards as they stand, but there is surely now a case for making independent valuations compulsory. Without this, further qualifications are inevitable, something which housebuilders and retailers as well as other property companies may care to ponder.

Sir Ernest Harrison was evidently displaying unusual modesty last Decemwhen he forecast profits of £50m for Racal Electronics in 1991-92. Thanks particularly to a squeeze on working capital, the actual outlurn was £6m higher than expected and debt has fallen by nearly half to £121m. As if that was not enough to justify an 8 per cent leap in the shares to 69p yesterday, a firm timetable has emerged for the Chubb demerger promised in the defence against the

It would be rash, however, to assume that the shares have a long way further to run. Racal is already trading nearly 30 per cent above the initial value of the Williams bid, and more than 10p above the level where Williams finally unloaded the stake it acquired. The historic multiple of 30 is slightly more than twice that of the

Racal has shown with Vodafone that demerger can unlock value both at the time of announcement and on impleFT-SE Index: 2636.1 (+0.7)

mentation. Some expectations on that score must already be in the price. So apparently is a bid premium for a de-merged Chubb. The real question remains the more basic one of how much scope exists for further growth. Racal's markets are not expanding. Margins in the security division were already running at 10 per cent in the second half. There is a possibility that Chubb, like Vodafone before it, may emerge pretty fully valued.

Since the demerger, Racal has out-performed Vodafone by 50 per cent. There is far greater scope for margin improvement in the electronics side than in the security business which is now due to be spun off. But Racal must find a way of increasing sales as well as margins in this division, if its shareholders are to reap the maximum

Northern Foods

Northern demonstrated yesterday why its shares have outperformed the food manufacturing sector by 27 per cent over the last 12 months. A 20 per cent jump in profits and 17 per cent earnings advance in tough market conditions - albeit helped by a twomonth contribution from Express and Eden Vale and 236m of balance sheet provisions – fully vindicates its strategy of sticking to dairies, fresh products, and quality supermarket outlets.

A measure of the company's quality

is last year's ability to finance internal investment from operating cash flows. The hectic pace of capital spending will continue in the current period which should see further double digit earnings growth on the enlarged capital despite a higher depreciation

charge and interest bill. Express and Eden Vale are likely to yield £10m-£15m of savings by the end of the year, though it will be 1993 and 1994 before the benefits of the current rationalisation programme really show through

Notwithstanding the company's insistence that the Milk Marketing Board shake-up will be good news lon ger term, the transition to a more lib eral market for milk supply could be tricky for the whole sector. That said. one would back Northern's manage ment over others to rise to the challenge, which is one good reason why its prospective earnings multiple is 2.5 points higher than Unigate's.

Capital adequacy

It took EC finance ministers until well into Wednesday morning to agree a deal on the so-called Capital Adequacy Directive (CAD) on capital standard for securities houses. But the ground for disagreement were so many that fine the compromise negotiated by Portugal represents a significant step for-

The threat to London's broking and underwriting houses appears to have dissolved, principally because brokers will have a 10-day window in which to place large deals without additional capital requirements. All the same, the market will want reassurance on how quickly capital must be allocated once the window closes. The liquidity of London's stock borrowing market has been preserved. Perhaps equally important to Mr Norman Lamont, the chancellor, no other centre has emerged with a notably stronger hand.

As to the broader picture, the commission believes the stalled investment services directive should now gain new impetus. Arguably, it is too early to draw that conclusion. Until itis clear how the CAD will work, the most that can be said is that it represents a useful precedent. Given that Spain and Belgium were reportedly reluctant to the last, even that has its

Several technical issues are yet to be resolved. It could take several years before each country has agreed stan-dards in place. The CAD will be reviewed after three years, when it will be judged alongside standards proclaimed by the Basle committee and the securities industry's own lobby. That leaves plenty of scope for changes. It also leaves open the ironic possibility that the UK will introduce harsher capital requirements of its

-ADVERTISEMENT-

NEWS REVIEW

BUSINESS

Training facility for the Royal Jordanian Air Force

■ Ferranti International has won a contract to supply the Royal Jordanian Air Force (RJAF) with an air defence training simulator. It will be built at the Company's Airspace Simulation group in Cwmbran, South Wales, for delivery in early 1993.

Beaed on the system developed last year by Ferranti for the Royal Air Force School of Fighter Control, the RJAF simulator will provide facilities to enable controllers and executives to be trained simultaneously.

The system will be delivered under a turnkey contract which includes communications, exercise preparation facilities and Computer Based Training (CBT) software modules.

Satcoms link for **BP** platform

■ Ferranti International has won a contract from BP Exploration to supply satellite telecommunications equipment for the Magnus platform.

The work will be carried out by

Ferranti's Salcoms group. The contract covers the manufacture and installation of a satellite terminal and provision of associated on-platform equipment.

The Magnus platform is the most northerly of the oil production platforms on the UK continental shelf. The communications equipment will provide both voice and data links into BP's operations centre at Dyce,

As a turnkey contractor to the offshore industry, Ferranti is virtually unrivalled in the UK having secured 13 of the 18 contracts so far placed for platforms in the North Sea.

Ferranti lands Swedish Air Traffic **Control simulator contract**

Ferranti International has late 1993, the System 90 simulator won a major contract to develop will be one of the largest and and produce an advanced Air functionally complex training Traffic Control simulator system facilities in the world. It will for the Swedish Air Traffic consist of a core simulator Services Academy (SATSA).

development and system integration. The simulator is being

procured by the Swedish Civil Aviation Administration (Luftfartsverket), as part of its multimillion pound System 90 investment programme to substantially upgrade SATSA's training facilities at Malmo-Sturup Airport.

Scheduled for completion in

comprising a network of 28 The programme will be workstation/consoles supported managed by the Company's by file servers plus a Central Airspace Management Simu-Library System and Evaluation lation and Training group at System, each with three Cwmbran. The overall pro- additional workstation/consoles. gramme, worth some five million The simulator also includes pounds, covers project design, an integrated voice communication system which is based on a fibre optic Local Area Network.

> The simulator will be the first system to be realised under the new Ferranti product range called ISCA 2000, ISCA 2000 (Integrated Simulation of Controlled Airspace) provides a simulation software suite which is based on an open systems environment.

Synergy in systems with Motorola

Ferranti International and Motorola Computer Systems have signed a marketing agreement to work together on selected projects in the industrial market sector. The agreement strengthens Ferrant's position as an Open Systems

supplier by combining its capability to provide bespoke application software with the range and depth of Motorola off-the-shelf hardware and software. Equally Motorola's sales and marketing expertise will be complemented by Ferranti project

capabilities. Both companies see significant opportunities in industrial applications where end-users are seeking to increase

productivity and reduce costs by the introduction of open systems technology. Perranti International is widely

acknowledged for its expertise in this sector and the agreement with Motorola establishes a unique partnership to meet the future requirements of the

Bid to upgrade Brazilian frigates ■ Ferranti Naval Systems has command system include fitting more

submitted proposals to upgrade the combat Command Systems fitted to track initiation facilities for the radar, Brazil's Niteroi class frigates which increasing the action information data were fitted originally with Ferranti base and providing improved situation systems. Proposed improvements to the evaluation and tactical response.



Managed 34%

107.5

Marie Star

FINANCIAL TIMES

COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1992



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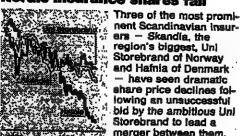
Racal sets deadline to demerge Chubb

Sir Ernest Harrison, chairman of Racal Electronics of the UK, has set a deadline for the demerger of Racal Chubb, its security division. The demerger will follow a similar pattern to last year's successful distribution of Racal's stake in Vodatone, the UK cellular telephone network operator, Page 18 Recal results, Page 23

Disagreement over bond trades

A row over the settlement of Italian government bonds traded during turbulent market conditions last week has broken out between several London-based firms and a number of Italian banks. A US investment bank, a Swiss bank and a broking firm are among the London-based firms to have experienced disputed trades with Italian banks. Page 21

Nordic insurance shares fall



Inree of the most pronent Scandinavian Insers - Skandia, the region's biggest, Uni Storebrand of Norway and Hafnia of Denmar - have seen dramatic share price declines for lowing an unsured to the store of the most pronent inserting the share price declines for lowing an unsured to the store of the most pronent inserting the store of the most pronent Scandinavian Inserting the store of the store o nent Scandinavian Insur-Storebrand of Norway and Hafnia of Denmark - have seen dramatic lowing an unsuccessful bid by the ambitious Uni Storebrand to lead a merger between them.

Riding out the bumps

There is something old-fash-ioned in the optimism of Mr Tad-shiro Sekimoto, president of NEC, the world's biggest maker of semiconductors. His company has just reported a 61.7 per cent decline in year-end pre-tax profits; the share price has fallen more than 25 per cent alone the start of the year; capital spending is being cut by 19 per cent; and semiconductor prices are terrible. For Mr Sekimoto, however, the recession in the electronics industry is merely a bump on the road.

Daily Mail down 5%

Sharply lower input from exceptional items resulted in a 5 per cent fall in pre-tax profits at Daily Mail and General Trust, the UK publisher, in the six months to March 31. Sales rose from £313.3m to £326.7m, but after reduced exceptional-items, the pre-tax figure was \$22.8m, against \$23.9m. Page 24

Russian gold reserves fall

Russia has exported 30 tonnes of gold this year and its official reserves now stand at a total of 210 tonnes, the chief of the republic's co-ordinating body for precious etones and metals said yesterday. Mr Yevgeny Bychkov said 75 tonnes of the gold reserves were with the Russian central bank, while the remaining 135 tonnes are being held by his Committee for figure, dating from June 1, is lower than the 240 tonnes figure for the whole Soviet Union before the country collapsed in December 1991, Page 25

Amereham alread 34%

Amersham international, the UK health science group which has refocused its activities on radioactive products, increased pre-tax profit by 34 per cent to £20.7m (\$37.67m) in the year to March 31. Page 22

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Chief price changes yesterday

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Racal Elects.	69 ¹ 4	T	23	Seton Hithcare	301	-	12

Thursday June 11 1992

Anglo-US white goods maker plans limited alliance with Temfa and Fagor

GDA poised to join European venture

GENERAL Domestic Appliances (GDA), the Anglo-US maker of white goods, is about to join a European partnership with the leading French and Spanish sup-pliers of household appliances. GDA, jointly owned by GEC of the UK and General Electric of the US, said it would shortly join Temfa, an 18-month-old partner-

ship of Thomson Electromenager

(TEM) of France and Fagor, the

leading Spanish white goods den and Bosch-Siemens of Ger-

The partnership aims to pool purchasing of jointly used components, to share research ideas and technology, and to give its members the opportunity to sell each others' products under their own individual brand

While this is only a limited alliance, it unites the third largest domestic appliance group in Europe after Electrolux of Swe- in their countries and have

many. GDA's main brands are Hotpoint, Creda, Jackons and Cannon. TEM, a subsidiary of the state-owned Thomson electronics group, sells as Brandt, Thermor, Thomson and Vedette among oth-

Fagor sells under its own name, as well as White Westingnouse, Edesa and Aspes. All three companies are leaders teamed up to achieve the greatest economies of scale possible within the continued fragmentation of regional tastes in the European white goods market.

This is "a response to the growing segmentation of the white goods market which, in contrast to brown goods (audio-visual equipment), differs sharply from one continent to another, even from one region to another", said Mr Henri Lagarde, TEM's chair-

tion of Securities Commissions.

senior US banker in London. Meanwhile, UK government

officials were keen to portray the

agreement as a significant step

forward, containing several mea-

the London market. Today, bank-

ers and securities market practi-

tioners will attend detailed Trea-

sury briefings, but with a sense

Additional reporting by Alice Rawsthorn in Paris and Andrew

of hope rather than dread.

Hill in Drussels

Lex, Page 16

The partnership is set up under ners for sale under their brane European Community law as a European economic interest grouping, a simple structure

include industrial joint ventures. Mr Bruce Enders, GDA's managing director, hoped the deal would allow his group to enlarge its product range by sourcing from its partners, as well as to sell some of its own products to the continental European part-

signed to encourage cross-bor-

der alliances, but which does not

This is the latest stage in TEM's campaign to strengthen its product range, following a joint venture to make microwave ovens with Toshiba, the Japanese electronics group, in 1989; the formation of Temfa in 1990; and a joint venture last year to make electric ovens and hobs with De independent producers of home

Simon London on attempts to unify European securities

Muted cheers for the single market

Banks and securities firms in the UK were clearly relieved yesterday following a breakthrough in negotiations between RC governments which could lead to the creation of a single European securities

Most acknowledged that agree ment on the draft Capital Adequacy Directive, which lays down the amount of capital needed by EC securities firms and the trading operations of banks, is a sig-nificant step towards a desirable

Moreover, many of the proposals which would have damaged the London market have been dropped.

However, some market participants remained circumspect. "It is too soon to proclaim victory," said the legal director at a leading London securities firm. "The whole project hangs on the details and how the directive is

The agreement among govern-ments yesterday covered only the general terms of the CAD. The final document is still subject to political approval by finance ministers when they meet on June

The general agreement still leaves several important areas undecided. For example, there is no agreement on the absolute minimum amount of capital which a recognised investment

firm should carry. To some in the market the lack of a detailed agreement was good news - they had feared the commission would hurry through detailed proposals. It is a lot bet-ter than it might have been," said Mr Paul Tillett, deputy secretary of the British Bankers Association. "The best news of all is that more drafting will take place. In a directive like this the details

are all important." Even once the details are agreed, the ratification and entation of the directive will be linked to agreement on the draft Investment Services Directive, which should give securities firms a "single passport" to conduct business in all EC centres. The ISD has been stalled for months and disagreements between national governments appear to be intractable. This means that the capital adequacy requirements may not come into force for some time. However, EC finance ministers

have agreed a basic framework.



 Securities firms and the secuwill be able to boost core equity capital by raising short-term subordinated loans. This additional layer of capital is not available to banks in their non-trading operations under existing EC

Yesterday's agreement recognises as capital subordinated debt up to 250 per cent of core equity capital.

There will be no inflexible upper limit on the size of large

'It is an advance over the system of regulation in the US'

securities exposures. In early wanted a 25 per cent limit on securities exposures. This would have stopped firms undertaking large exposures by underwriting block trades, for example.

instead, the directive will allow a 10-day underwriting window in which normal capital requirements do not apply. Capital requirements will then gradually start to apply according to a

agreed formula.

The biggest victory for the UK government, and the London securities market, is an agreement that all stock borrowing and repurchase agreements will fall under the CAD, rather than tougher banking regulations.

Under earlier drafts, stock borrowed by a securities firm or bank from a pension fund or a company would be treated as a loan rather than a trading post-tion. Tougher capital require-

take is to establish with its advis-

ers Barings, the merchant bank,

whether its assumptions about

Dowty's Information Technology

division fit with the actual situa-

tion ahead of a likely sale.

rities trading operations of banks increasing the cost of stock borrowing and potentially damaging the liquidity of the London market, where stock borrowing and repurchase are most common.

The precise effects of the CAD will depend on the type of securi-ties business being undertaken by a firm or bank. Although the UK won some important concessions, some sectors of the London market could still suffer; for example, underwriting firms in the London-based Eurobond market, which have traditionally taken on very large exposures sometimes over long periods. The EC knew of the potential

impact of the CAD on the London market. Sir Leon Brittan, EC Commissioner responsible for financial services, said: "I have been well aware of the concern expressed by some in the City of London and also in other financial centres in the Community about the potential pitfalls in this area. I'm glad that agreement has now been reached on a set of proposals which in no way prevent the continuation of present trading activity in the Commu-

nity or anywhere else." However, some London bankers said the CAD would still probably require them to maintain higher levels of capital for most types of business than under current national rules.

In other European financial centres, reaction was equally cool. The consensus in Paris was that the new regulations would make very little difference to trading in France, where the existing capital requirements on securities dealing are already comparatively high.

While the main features of the CAD now appear to be fixed, the directive will be reviewed within three years to ensure that it is consistent with similar rules being drafted by other interna-tional regulators; the Basle com-

plan sparks board walkout THREE of the five main board directors of the Landesbank

WestLB sale

Schleswig-Holstein resigned yesterday in protest at plans for the sale of a stake in the publicly owned institution to Westdeutsche Landesbank (WestLB). In spite of denials from Mr Björn Engholm, head of the Kiel-

based bank's administrative council, Mr Gerd Lausen, chairman, suggested that a deal had already been struck even though negotiations are not due to begin until July.

Mr Rngholm, who is also leader of the federal Social Democrat (SPD) opposition party, and prime minister of Schleswig-Hol-stein, is a close associate of Mr Johannes Rau, SPD prime minister of North-Rhine Westphalia, the state which owns WestLB.

Foreign bankers said the directive could provide a model for The boardroom walk-out marks snother entraordinary turn in the evolution of the regional public banking industry in Germany, and highlights the mounting resentment against the aggreethese other international regulators to follow. "It appears to be a sensible compromise between the interests of banks and and the interests of securities firms. It is sive WestLB and its chairman Mr certainly an advance over the system of regulation which applies in the US," said one

Friedel Neuber.
WestLB, heading for operating profits of DM1bn (\$600m) this year, is by far the biggest of the regional banks and the third largest bank in the country.

It was recently accused of "capital imperialism" by Mr Peter sures to protect the interest of Fischer, the economics minister of Lower Saxony, after it absorbed the state-owned NRW housing authority - along with its DM4bn in reserves. Since the Hesse state bank,

Helaba, rejected its approaches in 1988, WestLB has linked up with SudwestLB in Stuttgart, set up

DIHB specialising in industrial banking services in east Germany, and expanded its WestLB Europa subsidiary into 13 European countries.

Its most adventurous move came in 1989 when it linked up with Standard Chartered of London to bolster its merchant banking business. In February this year it

extended its reach further when it bought Beal, a small Brusselsbased bank specialising in corporate finance in Latin America. Mr Neuber, who is regularly accused of over-stepping the

boundaries of what is correct for a state bank, has also built up a substantial presence in industry, by buying minority stakes in local companies such as Preussag, the steel and engineering The traditional role of the state

banks is to act as umbrella organisations for regional government-run savings banks and as financing conduits for local authorities in their home states. According to some observers, WestLB has connections with around half the top 500 companies in the European Community. By developing its interests in investment banking, and corporate and construction financing beyond the limits imposed by the frontiers of North Rhine Westphalia, it has succeeded in breaking the conventional mould It also owns 34 per cent of LTU. the charter flight and tourism group which last week bought the Thomas Cook chain from Britain's Midland Bank Mr Lausen, who steps down on

July 31, will be succeeded by his deputy, Mr Werner Heller.

Mercury

TI Group wins its hostile bid battle for Dowty

Cheltenham.

By Richard Gourley in London

TI GROUP, the UK specialist engineering company, yesterday won overwhelming support for its hostile bid for Dowty Group, the Cheltenham-based aerospace and information technology group that is among the bestknown names in British engi-

By the close of the bid yesterday 60.23 per cent of Dowty's shareholders bad accepted the share and cash offers which valued Dowty at about £510m

The successful bid will leapfrog TI into the FT-SE 100 index and will make the group the second largest UK engineering company behind British Aerospace.

The enlarged group will have three divisions - aerospace, engineered seals and pipes ~ each with sales of about £400m operating throughout the world.

The division was most respon-Dowty's aerospace division, which is the prize in yesterday's successful bid, will remain in sible for Dowty's weak earnings and profits in recent years and contributed perhaps more than anything to Ti's victory.

"We are clearly delighted with the result," said Mr Christopher TI's advisers and its finance team will go to Cheltenham Lewinton, TI chairman. "Our priority now is to get down to the real task of returning Dowly to tomorrow to look over Information Technology and to begin the its core specialised engineering process of putting Dowty's manbusinesses of aerospace and polyagement accounts on to TI's reporting system. mer engineering." Mr Lewinton will meet the

Mr Lewinton yesterday dis-Dowty board in London today. "I missed fears about the company's future expressed during the bid will explain that we are trying to by Dowty's labour force. The build a great British engineering company," he said. "The takeover fears were based on uncertainty and stemmed from the large is good news for Dowty, good numbers of redundancies in the news for TI and good news for British engineering."

Among the first steps TI will aerospace industry in recent

First indications last night were that of the 60.23 per cent acceptances from shareholders. the majority took the four-for-fifteen share offer in preference to the 175p cash alternative.

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INTERNATIONAL COMPANIES AND FINANCE

HE history of Worms et

Cle, one of France's oldest holding companies.

stretches back for more than a

century. However, when Mr

Nicholas Clive Worms, the

present chairman, addresses his shareholders in Paris

today, he will be talking about a completely new company.

A year ago Mr Clive Worms
outlined Worms' new structure

to his shareholders. At today's

meeting, he will be reporting

on the company's progress in its first year under its new

Worms et Cie is one of the

quintessentially French breed

of holding companies, with an assortment of interests in dif-

ferent sectors often in the form

of minority shareholdings that may carry controlling status. It began life as a trading

company in 1848 and swiftly diversified into shipping.

Worms et Cie retains the relics of the old shipping business, but it is also involved in insur-

ance, hunny goods, property,

banking, sugar and paper. It

controls some companies, such

as Athena, its insurance busi-

ness, and the Financière Truff-

aut luxury goods vehicle. But

it does not control others,

such as the Seint-Louis sugar

and paper group. Until last year's restructuring, its inter-

Auditors qualify accounts of Regalian Properties

Property Correspondent

THE uncertain future of the UK property market has prompted auditors to qualify the accounts of Regalian Properties, one of the best-known UK-quoted property compa-

Ernst & Young, the auditors, qualified the accounts because of "the very considerable uncertainty that continues to affect the property markets and the difficulty of placing valuations on potential devel-opment sites," together with the uncertain timing of property sales and risk of a breach

Regalian's fate is likely to be shared by many other property developers this year, in the view of Mr Eugene Bannon, an Ernst & Young partner. 'It will not be unusual to find qualification on uncertainty of

"We are required to get sup-

By Affice Rewethorn in Paris

NESTLE, the Swiss food group

facing the threat of opposition

from the European Commis-

sion in its attempt to complete

the takeover of Perrier mineral

water, is paying FFr480m (\$90.5m) to buy 1.5m shares in

Suez, the French industrial

and financial group. Nestlé, which formed a joint

venture with Banque Indosuez,

the Suez banking subsidiary, to

stage the Perrier bid, is buying

By Affice Rewelthorn in Peris

BERNARD Taple Finances

(BTF), the holding company of Mr Bernard Taple, the contro-

versial businessman who recently resigned from the

French cabinet because of a

fraud case, yesterday suffered

another blow when a dispute

Lugdunum Finance, which

has agreed to buy the La Vie

Claire chain of health food

shops from BTF, is now argu-

flared up over a disposal.

porting evidence [for valuations! In a stagnant or bombed-out market, it is very difficult to get that evidence, he said

Mr David Goldstone, chairman of Regalian, said he believed that auditors' caution concerning property accounts had been heightened by the recent difficulties of Olympia & York, Speyhawk, Mountleigh and Heron. The problems in valuing property were highlighted last week when Heron's portfolio was valued at £1bn. £300m less than a valuation a month earlier.

Regalian, which announced a pre-tax loss of £26.8m (\$48.77m) for the year to March 31 and passed its final dividend, made provisions of £32.9m against its

A block of luxury flats in Kensington Palace Gardens and a development site at Paddington, both in London, are the chief sources of uncertainty. Although Kensington

Nestlé pays FFr480m for Suez stake

the shares from Exor, the

French property company that

controls Perrier, Exor, after

fighting fiercely against Nes-tle's FFr15.46bn bid, finally

Nestle which last week dis

closed that EC anti-cartel

investigators were challenging

its bid for Perrier, paid FFr320

a share for the Suez stake yes-

terday. Exor, which is con-

trolled by IFINT, an invest-

ment vehicle for Italy's Agnelli

Tapie in dispute over disposal price

ing over the price of the deal.

BTP claims that the price was set at FFr110m (\$20.5m),

whereas Lugdunum says it was set at just FFr100m.

BTF, which last week announced it had fallen from

net profits of FFr47.97m in 1990

to a loss of FFr294.9m in 1991,

is taking legal action to try to

recover the remaining money.

eral businesses that BTF is

selling to raise capital to cut

debts incurred in its acquisi-

La Vie Claire is one of sev-

family, originally owned a 2.3 of Exor's shares in Suez.

agreed to support it.

at about half the asking price of £120m a year ago, the unusual nature of the building makes it difficult to value. The auditors also queried the timing of Regalian's planned development in Paddington, still valued at 123m.

A provision of 25m was taken against a £10m development site at Heron Quay in London's Docklands, which has been mothballed because of the insolvency of Olympia & York, its partner. Mr Goldstone's son Lee, who

has worked at Regalian for 12 years, has left because of the constraints on new development over the next four years. Regalian's net asset per share fell from 146.8p to 104.8p. At its year-end, it had gross debt of £130.1m and net assets of £122.7m. The loss per share was 19.74p, compared with last year's earnings of 8.02p. The share price fell from 22p to 15p.

per cent stake in Suez, which is a 10 per cent shareholder in

Under the terms of the settle-

ment of the Perrier battle, Nes-

tlé agreed to buy part of Exor's stake in Suez. Crédit Agricole,

the French bank which is one

of Exor's minority sharehold-

ers and which came to the fore

in the early stages of the Per-

rier battle when it objected to

IFINT's original partial bid for

Exor, had earlier bought some

tion of the Adidas sporting

goods group two years ago. BTF, which later this month is

to make the final FF1730m pay-

ment on its Adidas loans,

recently put its Testut-Terrail-lon weighing machine business

The financial problems of BTF have intensified specula-tion that Mr Tapie, who resigned as minister of urban

affairs after only two months

in the post, may be forced to cede control of Adidas.

on the market.

Lex. Page 16

Vodafone breshunges.

Northern progress

SHARES in Northern Foods, the UK dairy, convenience food, meat and grocery group, jumped 14p to 605p yesterday as the group announced a 19.7 per cent increase in pre-tax profits to £1.26.2m (\$230.9m) in spite of a competitive market, writes Maggie Urry in London. Mr Chris Haskins, chairman,

"excellent progress".

Earnings per share were 16.8
per cent higher at 38.31p,
against 32.79p last time, after adjusting for a rights issue. A final dividend of 9.27p is proposed to give a total of 15.75p. a rise of 14.8 per cent on the previous year's 13.72p. Lex, Page 16 Details, Page 24

Simplicity becomes virtue at Worms Racal sets October deadline for Chubb float

By Richard Gourtey in London

SIR Ernest Harrison, Racal Electronies chairman, yester-day set an October deadline for the demarger of Racal Chubb, its security division. Shares in the floated Chubb which yesterday reported a 20 per cent jump in operating

profits last year, will be dis-tributed to Recal chareholders after details are published in The demerger will follow: similar pattern to last year's successful distribution of Racal's stake in Vodafone, the cellular telephone network operator, a move Sir Ernest initiated after what he said was the market's consistent

undervaluation of Racal's non-

Confirmation of the demerger came as Racal reported annual pre-tax profits of 255.6m, up from a loss of £21.8m last year and comfortably ahead of a forecast it had made at the height of its suc-ceasful defence against a hos-tile bid from Williams Hold-ings last winter. Lex, Page 16 Details, Page 23

Foods makes

KVAERNER, Norway's largest privately-owned industrial company with interests in engineering, shipbuilding and shipping, yesterday reported an improvement in its profits before financial items to NKr424m (\$68.3m) in the first four months of the year from SKr401m for the same period of said the figures represented

The order book rose by 11 per cent to NKr6.535bn from NKr5.906bn.

By Robert Taylor In Stockholm

Kvaerner's shipping business suffered a sharp fall in profit-ability to NKr39m from NKr164m for the first four months of last year. It made a small loss of NKr12m in its manufacturing division compared with a NKr14m profit in

the year-earlier period. However, this was more than compensated for by the rise in profits from shipbuilding to NKr252m, nearly double the NKr137m made in the same

Alice Rawsthorn on the French holding company's restructuring

35.9%

inclusity

99.3%*

Insurance:

and solit between two compa-

nies, Pechelbronn and Simer.

Such company structures are

common in France, where the corporate sector is riddled with

cross-shareholdings. Suez, the

diversified industrial and

financial group, le another example, as is Compagnie de Navigation Mixte. However.

they tend to be incomprehensi-

ble to the international inves-

tors which are a prime source

of capital for French compa-

nies. It was this concern that

prompted Mr Clive Worms to

restructure the group last year. He made his decision against

the backdrop of a disagreement

with Assurances Générales de

France (AGF), one of the large

French insurers and a

long-term investor which had

wanted to increase its holding.

AGF eventually agreed to sell part of its stake back to the

company, thereby reducing its

holding to 8.2 per cent. Mr

Clive Worms wanted to bring

in other minority investors,

such as IFIL - the company

Athena

Worms et Cie

controlled by the Agnelli fam-

ily of Italy, that two years ago

"In France things tend to be

very incestuous, with the same

names cropping up again and again as investors," he said.

We thought it would be more

exciting to go further afield.

We needed a simpler structure

to become more accessible to

international investors and

also because, after our expan-

sion in the 1980s, we were a

Dechelbronn and Simer were merged into one

its minority stakes. Truffaut,

for instance, has rationalised

its portfolio by selling its

stakes in some companies,

such as the Jean-Louis Scher-

rer fashion house, and reduc-

ing its holdings in others, nota-

bly Christian Dior. Other

are engaged in the same pro-

est industrial groups, made a profit after financial items of NKr263m for the first four

months of the year, a substan-

tial improvement on the

semed to have bottomed out.

veer it would make a loss in

those activities comparable

Aker estimated that this

pared with NKr3.8bn.

company, Worms et Cia, and the group shed a string of

much bigger group.

bought a 7.4 per cent stake to buy the old AGF shares.

CNN

Transportation:

44.6% 49.3%

ARC Union

months last year. The company also reported a hefty increase in profits from offshore activities, from NKr40m to NKr87m. In its wood-processing division, profits rose to NKr69m from NKr50m.

The company announced that it was launching a seven-for-one equity issue, creating 5.33m shares. A further 300,000 new shares will be issued to employees.

Kvaerner's financial position was strengthened recently by its acquisition of Masa, the Finish shipbuilding group, and Gotaverken Energy, the Swed-

Kvaerner shows improvement MoDo slides into the red ish environmental company • Aker, one of Norway's larg-

MODO, Sweden's third-largest pulp and paper company, has posted a SKr335m (\$58.3m) loss for the first four months of the year, writes Robert Taylor. This compares with a SKri33m profit in the 1991 period.

40.1%

cess. But they are doing so on

a piecemeal basis, whereas

that he has achieved his goal of making Worms, which

recently announced net profits

of FFr1bn (\$186.9m) for 1991,

simpler and more efficient

Earlier this year he sold the rest of the AGF shares to the

Abu Dhabi Investment Author-

ity, which now owns 5.5 per

cent, and to Temasek of Singa-

pore with 4.5 per cent.
The jury is still out on whether Worms has succeeded

in making itself more compre-

hensible internationally. One

Paris analyst applauded it for the speed with which it had

rationalised its interests.

Another said that "despite all

the changes" it was "still a

mystery" outside France. So far, Worms' share price

has sided with the scentics. It

closed yesterday at FFr341,

well below FFr400 where it

hovered immediately after its

change of name.

Mr Clive Worms is convinced

Worms has acted quickly.

33.3%

1

Worms et Cie

Banking

NKr23m loss a year ago. Turnover rose to NKr5.4bn MoDo said yesterday that it feared that it would incur for the first four months, comheavier losses over the rest of The company said that the the year. The deterioration in market for cement and con-MoDo's position began in the 15 struction materials continued second four-month period of to be weak even though the last year, when it reported a SKri02m loss. economic downturn in Norway Mr Bernt Lot, president, said

that rationalisation measures had lowered costs and that the company hoped to have saved SKr500m by 1994 as a result.

ness cycle," he added.



A Commitment to Quality, Reliability and Innovation

Long Term Credit **Investment Banking** Life Assurance

Corporate Finance Asset Management Commercial Banking

Consolidated Highlights 1st April, 1991 - 31st December, 1991

US \$m **Outstanding Loans** 40,818 Assets under Management 13,472 Shareholders' Equity 4,836 Allowances 944 Net Income (9 months)

* US \$1 = Lire 1,151

The contents of this statement, for which the directors of IMI are solely responsible, have been approved for the purpose of Section 57 of the Financial Services Act 1986 by Price Waterhouse S.a.s. as an authorised person.

Head Office: 25 Viale dell'Arte, Rome Tel: (39-6) 5959.1

Internationally the IMI Group provides financial services through the following main subsidiaries:

MABON Securities Corporation Tel: (1-212) 7322820

IMI Bank (Lux) S.A. (Member of the Luxembourg Stock Exchange) Tel: (352) 4045751

IMI Bank AG (Member of the Frankfurt, Berlin & Düsseldorf Stock Exchanges) Tel: (49-69) 2740050

IMI Securities (Scandinavia) AB Tel. (46-8) 7016440

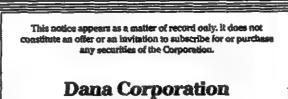
IMI Securities Ltd (UK) (Members of the London Stock Exchange and SFA) Tel: (44-71) 2836264

IMI Capital Markets (UK) Ltd (Member of the SFA) Tel: (44-71) 2836264

IMI INVESCO Ltd (Member of IMRO) Tel: (44-71) 6263434

IMI - CPR Finance S.A. (Maison de Titres in Paris) Tel. (33-1) 40232425

Turis A.G. (Zurich) Tel: (41-1) 2014477



(Incorporated with limited liability under the laws of the Commonwealth of Virginia in the United States of America)

Placing by

Merrill Lynch International Limited of up to 4,600,000 shares of Common Stock par value U.S.\$1.00 per share

Application has been made to The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The London Stock Exchange") for admission of the shares of the Corporation to The

Listing Particulars relating to the Corporation are available in the Companies Fiche Service and may be obtained during usual business hours (Saturdays and public holidays excepted) from 12th June, 1992 until 29th June, 1992 from The Company Announcements Office, The London Stock Exchange, London EC2N IHP and from 12th June, 1992 until 22nd July, 1992 from:

> Merrill Lynch International Limited Ropemaker Place 25 Ropemaker Street London EC2Y 9LY

Dated: 10th June, 1992

Crédit National Up to U.S. \$60,000,000 11.925 per cent. Notes due 1992 of which U.S. \$30,000,000 is being issued as the Initial Tranche

orice is hereby given to the Northolders that pursuant to Conditi 4(c) of the Notes the redemption amount has been calculated as U.S. \$9,459,992.12 per U.S. \$10,000,000 denomination, calculated using a ate of 126.85.

Bankers Trust Company, London Calculation Agent

U.S. \$750,000,000 Lloyds Bank Plc

Primary Capital Undated Floating Rate Notes (Series 1)
For the six morans June 11, 1992 to December 11, 1992 the Notes will carry an interest rate of 45% per annum, with a Coupon Amount of U.S. \$222.40 payable on December 11, 1992.

In The Case Residents Balk III. The Chase Manhattan Bank, ILA. Lundon, Agent Sank

SCI/TECH S.A. 3, avenue Mario Thérèse 1.-2132 LUXEMBOURG R.C. LUMENSPORG R.C. LUMENSPORG 2 24.858 We have the pleasure of inviting the descriptions to situated the Amusel Ground Swoting of the Etherholten, to be ledd as the scandison angister of effices of the Company, arbon 26, 1957ed a 3.00 pm.

L. Submission of the separate of the Board of Directors and of the Auditors;

2. Approved of the Statement of American Liabilities on at March 31, 1992, and of the Statement of Operations for the year ended March 31, 1992,

3. Allocation of the set contro;

4. Directors or resolutions of Directors;

5. Election or resolutions of Directors and of the Auditor American Statement of Directors.

The absolution to solvined that no opening for the house of the species to required, and that the decisions will be taken at a simple respictly of the singue particular over processing at the masting. A shareholder very set by

THE MOUND OF DESCRIPTION

June 11, 1992

June 11, 1992

with the NKr79m deficit in 1991. The main hope of revival "My judgment is that the for-estry industry has reached the lies in the oil and gas technology side of the business, where absolute bottom of the busiorders have been encouraging.

NIPPON MINING COMPANY, LIMITED (the "Company") 10-1, Toranomon 2-chome

Minato-ku, Tokyo, Japan PUBLIC NOTICE OF MERGER

To the Holders of \$500,000,000
41/4% Guaranteed Notes Due 1993 (the "Notes") with
Warrants to Subscribe for Shares of Common Stock
of the Company (the "Warrants")

Of the Company (the "Warrants")

Pursuant to the provisions of Clause 4 of the Instrument relating to the above issue and the rules of the Luxembourg Stock Exchange, notice is hereby given that the Company and Kyodo Oil Co., Ltd. ("Kyodo Oil") entered into an agreement for merger on May 28, 1992 whereunder Kyodo Oil will merge into the Company and be dissolved, and the Company as continuing corporation will assume all of the business, assets and liabilities of Kyodo Oil. New shares of the Company will be distributed to shareholders of Kyodo Oil (but not to the Company itself in respect of those shares of Kyodo Oil which the Company already owns) by exchange at the rate of 10 of the Company's shares (par value 150) for each Kyodo Oil share (par value 7500) held. The new name of the continuing corporation is expected to be changed to "Nikko Kyodo Company, Limited", effective as of December 1, 1992. The merger agreement is expressly made subject to approval by special resolutions of shareholders of the two companies at the general meetings mentioned below.

shareholders of the two companies at the general meetings mentioned below.

The merger agreement will be submitted for approval to general meetings of the shareholders of the Company and Kyodo Oii to be held on, respectively, June 26, 1992 and June 25, 1992. The merger will become effective as of December 1, 1992 if, as expected, all approvals of competent authorities are duly granted. The commercial registration requirements of Japanese Law will be completed soon after a special chareholders meeting expected to be held towards the end of February 1993. With effect from December 1, 1992 the Warrants will be exactisable into shares of common stock of Nikko Kyodo Company, Limited (formerly Nippon Mining Company, Limited), in accordance with their terms.

The Subscription Price now in effect for the Warrants is 1997 0 and

The Subscription Price now in effect for the Warrants is 1977.0 and

The Subscription Price now in effect for the Warrants is 1977.0 and this will not change as a result of the merger.

Neither the Notes nor the Warrants will be stamped or exchanged. Instead they will remain listed on the Luxembourg Stock Exchange under the present name of the Company followed by the new name of the continuing corporation, Nikko Kyodo Company, Limited.

All further notices regarding the above issue will refer to both the present and the new name of the Company.

A further notice of transfer of business of the Company is hereby given that the Company shall transfer, effective November 1, 1992, its business of Metal Resources Development, Metals and Metal Fabrication Divisions to Nippon Mining & Metals Company, Limited, its new wholly owned subsidiary (Paid-in Capital: 22 hillion Yan), incorporated on May 22, 1992. The transfer is subject to the approval of its annual general meeting of shareholders to be held on June 26, 1992 and due process of competent authorities.

Tatsuo Nakamura President and Representative Director Nippon Mining Company, Limited

U.S. \$150,000,000



Bank of Ireland

Undated Floating Rate Primary Capital Notes

In accordance with the provisions of the Notes, notice is hereby in accordance with the provisions of the Notes, notice is hereby given that for the three month interest Period from June 11, 1992 to September 11, 1992 the Notes will carry an interest Rate of 4½% per annum. The interest payable on the relevant interest payment date, September 11, 1992 will be U.S. \$108.61 per U.S. \$10,000

By: The Chase Manhattan Bank, N.A. London, Agent Bank



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INTERNATIONAL COMPANIES AND FINANCE

Paramount net rises to \$28m in second quarter

in New York

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PARAMOUNT Communications, the publishing and entertainment group, continued its earnings recovery in the second quarter of its financial year, which ended on April 30.

The company made a net profit of \$28.3m; or 23 cents per share; in the three-month period, compared with a loss of \$55m, or 47 cents a share, in the corresponding period of

Mr Martin Davis, the Paramount chairman, said yesterday that the company was "well on the road to a substantial year-to-year

improvement in results."
He added that the entertalnment division, which includes the Hollywood-based Paramount Pictures film and television programme studio, had generated \$91.7m of operating income in the quarter, compared with a \$40.6m loss a year ago.

Paramount's publishing operations, which traditionally record the bulk of revenues and income in the second half

of the year, suffered a \$25.3m loss in the second quarter, slightly less than the \$29.2m loss in the equivalent 1991 period.

For the first six months of fiscal 1992 Paramount earned \$46.7m, or 39 cents a share, against a loss of \$62.3m, or 53 cents per share, in the first half of last year. Paramount's total revenues

for the second quarter of fiscal 1992 were \$927.9m, compared with \$868.1m a year ago. Revenues for the first six months were \$2bn, against \$1.77bn in the same period of

Mr Davis noted that in addition to the strong performance of Paramount's Rollywood operation, the second-quarter results also benefited from gains in the company's broadcast television holdings and from sharply higher operating income from Madison Square Garden, the New York sports and

entertainment venue. Wall Street reacted favourably to the Paramount profits recovery, and the share price was marked \$% higher to \$46% at midday yesterday.

United Grain Growers plans public offering

UNITED Grain Growers, of Winnipeg, Canada's first farmer-owned grain handling and marketing company, plans to go public with an initial offer of around C\$40m

UGG, founded in 1906, operates 265 grain elevators and terminals in western Canada. The company, whose crop forecasts are known worldwide, employs 1.500.

Revenues in 1990-1991 were C\$1.1bn, with profits of C\$2.7m. Most of the revenues come from fees farmers pay for grain storage and transfer to rail

Mr Brian Hayward, chief executive, said the offer wouldgo shead next, spring after approval of the 70,000 UGG farmer-owners who will retain.

to modernise UGG facilities: Wheat Pool is also considering plan.

• BCG, Canada's biggest telecommunications group, has dropped plans to raise its 25 per cent interest in SHL Systemhouse, the fast-growing systems integrator, to 60 per

THE restructured Premier

Group, the South African

foods, pharmaceuticals and lei-

sure company, improved earn-

ings in the 13 months to the

end of April. Results have been restated in

an annualised form to make

them comparable with 1991.

Turnover rose by 93 per cent to

acquisition of controlling inter-

By Philip Gawitt

BCE says it will keep its options open, but the plan to create a strategic alliance

tions utility, and SHL "has been terminated". It would not immediately

between itself, Bell Canada,

its fully-owned telecommunica-

comment further. BCE had planned to buy SHL treasury stock to bring its holding to 60 per cent at C\$12.75 a share or C\$387m in all. Bell Canada's data processing would have been transferred to SHL.

Since talks began last February, SHL stock has moved up to C\$16 in the market as the company made acqusitions and made new contracts in North America and Europs:

Canadian Bond Rating Service-has again reduced its rating on Bramalea's debt securities. The property developer, controlled indirectly by the Mr Peter and Mr Edward Bronf-The new money will be used man interests, is struggling with heavy debt and has prom-

> CBRS reduced its Bramalea rating to non-investment grade

stores, the first three chains being high turnover, low mar-

gin businesses. On an annual-

ised basis, turnover of compa-

rable operations rose by 13 per

the sale of 50 per cent of Bonny

Bird Farms and 50 per cent of Epol Animal Feeds. The results

of CNA Gallo are no longer being consolidated.

man, said a highlight of the

to 10.6 per cent from 24.6 per

Mr Peter Wrighton, chair-

Other transactions included

six weeks ago.
Yesterday, it downgraded the rating another notch because of "concern about Bramalea's ability to restructure its bal-



Shares in Northern on forecast

the start of the year.

Y51.44bn.

development.

being cut by 19 per cent.

Semiconductor prices have

fallen and NEC is losing money

in its home appliance division

- Y28.87bn last year, which is

a painfully large amount next

to total pre-tax profits of

Some of NEC's competitors

are talking about the need to

lower expectations on future

growth, to work for higher

quality profits, and to narrow

the focus of research and

For Mr Sekimoto, however

the recession in the electronics

industry is merely a bump on

the road, to be navigated and

forgotten as it recedes quickly

management is not affected by

the immediate results; we are

"We are looking at least five

years ahead, sometimes 10 years ahead," he says.

This is perhaps the expected response from a man who has

een at the helm of a leading

Japanese company for 12 years,

Profits 'likely to

Japanese groups

JAPANESE companies' profits

for the business year ending

March 31 1993 are likely to

drop 7 per cent from year-ear-

lier levels, the Yamaichi

Research Institute of Securities

and Economics said in a

report. Reuter reports from

The Yamaichi report covered

Despite lower interest rates

and accelerated public works

projects, company profits will tory burdens in the first half of

1992-1993. A recovery is unlikely until the second half,

But the surveyed companies'

current profits should rebound

the following year, rising 11.6 per cent from year-ago levels, the report said.

claims that the country's

severe drought might cause

food prices to soar by as much

Rarnings per share were 16 per cent up at 244 cents, and

the dividend was lifted to 88

cents from 70 cents per share.

Mr Wrighton forecast satisfac-tory growth for the year about

and 15.5 per cent and Enter-

tainment and Leisure - 4 per

cent and 7.8 per cent.

Divisional contributions to

the report said.

as 45 per cent.

the company in a good position dismissed as "nonsense"

673 companies from all indus-

decline 7%' at

"Our Japanese-style

in the rear-view mirror.

not that short-sighted.

NORTHERN Telecom shares fell sharply yesterday after the Canadian-based telephone equipment-maker painted a gloomy picture of its secondquarter prospects.

The company's share price plunged 7 per cent on the Toronto Stock Exchange yes-terday morning to C\$43. The shares reached an all-time high of C\$57.50 as recently as

Dr Paul Stern, Nortel's chairman and normally an inveterate optimist, warned Institutional investors in New York yesterday that the second-quarter's financial perfor-

Revenues are now expected to be below the US\$2.1bn posted in the second quarter of 1991. Besides the lingering effects of the recession, Dr Stern said some business in the US has been deferred pend-

Revenues will also drop by about 5 per cent as a result of the sale of some businesses which were acquired as part of Nortel's purchase of STC, the UK telecommunications group, in March 1991. These units were included in second-quar-

Dr Stern expressed confithe STC divestments.

Nortel has reported unbroken improvements in quar-

But the STC acquisition has accounted for much of the recent increase. STC has been integrated into Nortel's European operations, and the com-pany says it is unable to calcu-late the UK company's precise

to expand further.

Mr Wrighton also stressed

the turnround in the perfor-

mance of Metro and Score and

the more than 50 per cent

improvement in earnings at

Twins Pharmaceuticals follow-

ing a rationalisation pro-

gramme and the elimination of

borrowings.
Mr Wrighton also addressed

the issue of food inflation

which caused a public outcry

from meat, vegetables and fruit

and nuts - areas in which Pre-

mier is not involved. He also

NEC sets its sights on the 21st century

Japanese group refuses to be blown off course by recession, writes Steven Butler

Paul Stern: issued warning to institutional investors

Telecom fall

mance was likely to be "below expectations."

ing the award of modernisa-

ter 1991 earnings.

dence, however, that growth would resume in the second half, thanks to the recovery of deferred business, a strong order book, and the elimination of distortions caused by

three years.

Premier Group turns in improved earnings

THERE is something and as vice-chairman of the Keidanren, the leading almost quaintly old-fashioned in the husiness federation, is in effect optimism of Mr Tadahiro Sekia certified board member of moto, the white-haired. Japan Inc.

There may, however, be bespectacled president of NEC. more behind Mr Sekimoto's NEC, with Y3.774bn (\$29.5bn) in sales last year, dominates show of optimism than mere the Japanese personal bravura and ritual adherence computer market and is the to the sacred canons of world's biggest maker of Japaness management,

Mr Steve Myers, analyst at Mr Sekimoto is exuberant Jardine Flemming, says: "In about the future, even though the domestic market, NEC's performance in the past year his company just reported a has been exceptionally 61.7 per cent decline in consolidated pre-tax profits After growing at 20 per cent in the year to the end of

a year for five years, sales of personal computers in Japan NEC's share price has dropped 10 per cent in the past last year declined by 8 per month: over 25 per cent since cent Yet NEC sales grew by 3 per Capital spending this year is cent to 1.35m units. As a res

its share of unit sales in the Japanese market has risen to 60 per cent from the roughly 50 per cent share it has enjoyed in NEC's proprietary computer operating system is becoming

ever more entrenched as the de facto Japanese standard, even though it is incompatible with any other operating system in the world and in spite of efforts IBM has attempted to create

an alternative, DOS/V, a Japanese variant of Microsoft's MS-DOS, capable of running Japanese language programmes and any software written for IBM computers worldwide.

NEC's customers, however, appear satisfied with the hardware, software and service they are receiving from their traditional supplier, or at least not dissatisfied enough to switch vandors.

In part because of NEC's domination of the PC market in Japan, Mr Sekimoto argues NEC is well set for the era of

Nikkel Index 1987

"downsizing" - the move away from large mainframe computers to smaller, yet powerful workstations and PCs

that has shaken the computer giants such as IBM. While this may be true, in fact downsizing is only an expected trend in Japan. Mainframe sales in Japan grew last year, and NEC won 18 per cent of the market, with sales of 1,448 units and a 26 per cent growth in revenues.

n total, NEC's sales of computers and electronic equipment grew by 11 per cent last year to Y1,949bn. But NEC did encounter

problems in semiconductors. In the mid-1980s NEC reduced its dependence on the price-volatile dynamic random access memory chips, which account for 25 production of chip production.

This helped to insulate NEC from the initial downturn in the market last year, which was concentrated in Dram chips, but was little help when the entire market turned soft NEC's external sales of semiconductors, fell by 4,9 per cent last year to Y617bn, although, after including chips

for internal use, production

increased 2.7 per cent to Semiconductors sales, however, are highly cyclical and the Electronic Industries Association of Japan has forecast continuing growth in the market for electronic

Mr Sekimoto says that NEC should be able to beat the average rate of increase.

devices at about 6 per cent a

Sales of communication equipment were also down by 3.7 per cent to Y1,001.6bn, but this, too, is an area of expected high growth, even if NEC loses market share in a domestic market where competition is

Perhaps the only genuine blight on the accounts is NEC's Y193.2bn operating costs on Y164.4bn of sales in home electronics, which consists of VCRs, satellite dishes and the

libre. Sekimoto speaks Mr glowingly of the prospects of using NEC technology in high-definition television.

the highly competitive arena of consumer electronics, where it is a marginal player without an established brand name. appears more than anything to be a tribute to the difficulty Japanese companies have

Mr Myers commented that there was a significant misallocation of engineering resources.

It is plain that in spite of much talk in Japan about the need for structural change in industry with the end of an era of rapid growth, Mr Sekimoto is not about to let NEC be blown off course by the

NEC is, of course, making concessions to the recession including the cut in capital spending to Y210bn, mainly in the semiconductor business. This will help reduce future depreciation charges, which have swollen 30 per cent in three years to Y222.5bn last year.

Recruitment is being cut this year by 14 per cent to 1,200. Even so, NEC is increasing research and development spending this year by 3 per cent to Y310bn, and Mr Sekimoto has no plans to overhaul the company's wide-ranging scientific and technical programmes.

He says: "Our growth rate depends on the success or failure of our development of new technology."

NEW ISSUE

All of these securities having been sold, this announcement appears as a matter of record only.

June 11, 1992

22,000,000 Shares

MAXUS

Maxus Energy Corporation

Common Stock

These securities were offered internationally and in the United States.

International Offering 4,400,000 Shares

Credit Suisse First Boston Limited

Lehman Brothers International

Merrill Lynch International Limited

ABN AMRO Bank N.V.

Dreadner Bank

Nomura International Rauscher Pierce Refsnes, Inc.

Paribas Capital Markets Group N M Rothschild & Sons Limited

Swiss Bank Corporation

United States Offering 17,600,000 Shares

The First Boston Corporation

Lehman Brothers

Bear, Stearns & Co. Inc.

Oppenheimer & Co., Inc.

Howard, Weil, Labouisse, Friedrichs

Smith Barney, Harris Upham & Co.

Wertheim Schroder & Co. Petrie Parkman & Co.

Robert W. Baird & Co.

Crowell, Weedon & Co.

McDonald & Company

Merrill Lynch & Co.

PaineWebber Incorporated Salomon Brothers Inc

Wasserstein Perella Securities

A Division of Grantchester Securities, Inc. Dean Witter Reynolds Inc.

Rauscher Pierce Refsnes, Inc.

Brean Murray, Foster Securities Inc.

Ladenburg, Thaimann & Co. Inc. Stephens Inc.

turnover and attributable profits were, respectively: Cash R9.8bn while trading profit was 12 per cent higher at R420.1m when the Central Statistical year's performance had been and Carry - 40 per cent and 9.2 per cent; Food - 28.5 per the substantial improvement Service said recently that it (\$149.4m). Attributable earnin the group's gearing, with interest bearing debt down to was running at 28.9 per cent ings advanced 24 per cent to cent and 59.9 per cent; Retail per annun. He pointed out that 70 per cent of this inflation originated 16.5 per cent and 7.5 per cent; Pharmaceuticals - 11 per cent The jump in turnover and R160.5m from R347.6m. The the lower margins reflect the debt:equity ratio has improved

cent. He said the low gearing. ests in Metro, Cash and Carry, Score supermarkets and Click and the R80m cash in hand put ARAB BANKING CORPORATION (B.S.C.)

FLOATING RATE NOTES **DUE 2000** For the period June 10, 1992 the new rate has been fixed at 5,25% P.A. Next payment date: December 10, 1992 Coupon nr: 15 Amount: USD 266,88 for the

denomination of USD 10 000 THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP 15, AVENUE EMILE REUTER LUXEMBOURG

Weekley net asset Leveraged Capital Holdings N.V.

as at 09.06.92 was US\$ 468.41 Listed on the Amsterdam Stock Exchange hiternation: Pierson, Heldring & Pierson N V. Rokin 55, 1012 RK Ansierdam. Let + 31-20-5211410

PRIVATISATION IN EASTERN EUROPE

The FT proposes to publish this survey on July 3 1992.
The first ever FT survey on this subject will be published in the FT of that day and will be printed in London, Frankfurt, Roubaix, New Jersey and Tokyo. It will be distributed in 160 countries world-wide. world-wide. For further information

For further information about advertising in this sur-vey please contact, Patricia Surridge in London Tel: (071) 873 3426 Fax: (071) 873 3428 Gerd Rozler in Victura Tel: (1) 505 31 84 Fax: (1) 505 31 76 Nina Kowalewska in War-saw

Saw Tel: (22) 48 97 87 Fax: (22) 48 97 87 Nina Golovyatenko in Mozow Tel (095) 243 19 57 Fax (095) 251 24 57

FT SURVEYS

segments into one.

In terms of the deal, Sage

per cent to negligible levels assets on the balance sheet of

ing are that 270 new SFS ordinary shares will be issued for every 100 ordinary shares held in Sage, and 55.6 new SFS shares for every 100 ordinary shares held in SPH. In the year to March, Sage

finance, and life assurance. Mr Shill also said Sage planned to dispose of non-core cents and the dividend roseto interests which would raise at least R300m (\$106.7m). This 70 from 60 cents a share.

SA group to restructure and sell non-core assets

By Philip Gawith in

SAGE group, the South African financial services, life assurance and property organisation, has announced a major restructuring.

Mr Louis Shill, founder and chairman of Sage, said the deal would increase the marketability of shares, enhance the expansion of core businesses by combining the group's three

Financial Services (SFS) will cease to be a Sage subsidiary, acquire Sage Holdings and the non group-held Sage Property Holdings (SPH) shares. SFS will change its name to Sage Group, which will then have two divisions - property and would help reduce group gear-ing from its current level of 55 The new group will have

R3.2bn. This puts it in the second league of South African life companies. It does, however, have some important strategic investments, notably a 21 per cent holding in Universa, the company which holds 25 per cent of ABSA, South and strengthen the capital base Africa's largest banking group; and a 26 per cent holding in Rand Merchant Bank Holdings. The terms of the restructur-

> Holdings lifted attributable earnings to R28.4m from R23.6m. Earnings per share rose 14.5 per cent to 118.07

The FT proposes to publish this survey on July 30th 1992.

The FT is read by over 1000 top European businessmen in power, energy and water industries and 8,500 senior businessmen who specify or authorise the purchase of industrial plant & equipment. This is more than any other international publication in Europe, If you would like further information on how to reach this important audience, please call

> Bill Castle, on 071 873 3760 or fax 071 873 3062.

Data sparce: European Business Readership Survey 1992

FT SURVEYS

YORKSHIRE & HUMBERSIDE

The FT proposes to publish this survey on July 24 1992.

It will be of particular interest to the 130,000 directors and managers in the UK who read the

If you want to reach this important audience, call Hugh Westmacott
Tel: 0532 454969 Fax: 0532 423516 Permanent House. The Headrow, Leeds, LS1 8DF

Data source:* BMRC Businessman Survey 1990

FT SURVEYS

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

A share of Brazilian equity action

Life is becoming easier for foreign investors, writes Bill Hinchberger

RAZIL'S macroeconomic Changes are moving slowly by the standards of some of its Latin American neighbours - but capital market reforms, particularly for equities, are accelerating fast. Foreign institutional investors can trade directly in Brazilian equities; a 25 per cent tax on stock profits has been eliminated for foreigners; institutional investors from abroad but registered in Brazil can trade currency and gold futures, and invest up to 25 per cent of their portfolios in

As a result, from a modest base, foreign portfolio invest-ment in Brazil has begun to rocket. During the first four months of 1992, some \$2.3bn entered the country, with \$1.4bn going into equities. This compares with \$1.5bn in the whole of last year, of which \$760m was in shares. In 1990, overall foreign investment was m, and in 1989, \$333m.

domestic fixed-rate debt.

The road to reform can be traced to Mr Ary Oswaldo Mattos Filho, who in 1990 assumed the top spot at the CVM, Brazil's regulatory watchdog. He moved the commission out of its old headquarters in the financial backwater of Rio de Janeiro and relocated in Brasilia, the political capital. He then outlined proposals for change in a January 1991 blue-

Mr Mattos Filho imple-mented many of the plan's 50

points before leaving the CVM. Mr Roberto Faldini replaced him in March. Coincidentally or not, the last significant changes in capital market regulations were announced in January, when the definition of foreign institutions permitted to invest in Brazil was

Mr Faldini seems more cautious than his predecessor. A former official of Abrasca, the association of public companies, and a director of Metal Leve, the car parts manufac-turer, he is considered more sympathetic to company own-

ers and management. On taking office at the CVM, he voiced his opposition to Mr Mattos Filho's proposal to force Brazilian companies to issue higher proportions of vot-ing stock. Owners of Brazilian companies generally prefer to offer non-voting shares, leav-ing stockholders few options for influencing policy.

his is encouraged by a requirement that Brazilian pension funds hold at least 25 per cent of their portfolios in equities, providing a captive market for non-voting stock in the narrow Brazilian bournes. Many companies argue they

do not offer voting shares because the secondary market is too small. Mr Mattos Filho, however, believed liquidity was lacking precisely because companies offer so few voting Foreign investment in Brazil

2.0 Equities the four countries.

shares. Mr Faldini is opposed to plans, laid down by the former CVM chief, aimed at breaking this vicious circle through regulatory reform.

Mr Alvaro A. Vidigal, president of the Sao Paulo Stock Exchange (Bovespa), which accounts for 70 per cent of the country's trading, advocates eliminating the pension fund investment floor but letting companies determine the mix of their offerings.

Since the terrain was opened to foreign Institutions last year, reformers have been call-ing for an invitation to individuals from abroad, Mr Vidigal favours the immediate introduction of these investors.

Mr Faldini publicly defends a

gradual approach, first including citizens from Brazil's partners in the proposed Mercosur common market: Argentina, Paraguay and Uruguay. That move is expected later this year, when the final touches are put on an agreement that will give investors from Mercosur countries equal footing with native citizens in each of

First, however, negotiators must resolve the issue of capital gains tax, which exists in Brazil, for instance, but not in Argentina.

Meanwhile, Bovespa wants to guarantee greater openness. One step has been to adopt electronic trading. It is also strengthening self-regulation. In May, its administrative

council upheld an earlier rul-ing to punish directors and market operators of Banco Garantia, who were charged with selling stocks at below market price to bring down the exchange's sovespa index. The offending shares were primarily those of Telebras, the statecontrolled telecommunications company that accounts for over half of trading.

The individuals were suspended for one year and fined \$25,000 each, the maximum by law. Bovespa is now investigating Garantia (as opposed to individual directors and employees), and may bring charges against the bank.

new head of

Spanish operations THE KUWAIT Investment Office (KIO) has appointed a new head of operations in Spain following the resigna-tion of its Spanish partner last

week, Reuter reports from Bar-

NEWS IN BRIEF

KIO names

Grupo Torras, KIO's Spanish arm, says a newly-appointed board met in London yester-day and named Ali al Bader as chairman and Mahmoud Al Nouri as deputy chairman with executive functions to replace Javier de la Rosa. Mr de la Rosa stepped down to pursue private interests.

SPAIN'S state industrial holding company, Instituto Nacional de Industria (INI), has agreed with Bankers Trust of the US to launch a joint financial venture in Spain, AP-DJ reports from Madrid.

INI said the venture would set up a portfolio management company, dealing with real estate investments and peasion funds. The new company will be owned equally by Bankers Trust and by INI through its insurance unit, Sociedad Mutua de Seguros y Reaseguros (Musini).

ITALIAN-SWISS group, Sasea Holding, has filed a request for protection from creditors with a Geneva court. Under the filing, creditors would agree to a partial pay-ment of debts and the company would continue with some of its activities, Reuter reports from Milan.

The company said it reached agreement with some of its banks which would allow it to continue some operations and assure liquidity for the partial

Under the requested sursis concordatairs, Sasea would propose a fixed-rate settlement to its individual creditors in proportion to the debt owed.

■ CANADIAN Marconi, controlled by British General Electric, will supply a new navigation aid to Honeywell for incorporation in the US firm's family of commercial

Record issues at Fannie Mae

THE FEDERAL National Morigage Association has issued a record \$19bn of mortgage-backed securities in May, up from \$17.9bn in April, Reuter reports from

New York. Of this, a record \$16.7bn was backed by new loans, as opposed to mortgages in Fan-nie Mae's portfolio, the association said. Lender-originated morigage issues were \$16.5bm

Fannie Mae mortgage-backed securities outstanding grew to \$404.4bn at May 31, up \$3.5bn or a 26 per cent annualised rate from a month earlier.

Kredietbank expands overseas which neighbouring countries and a would hit Kredietbank's 1992

RREDIETBANK, which usually presents itself as the most regional of the three big Belgian banks, wants to put on a more international face, Reu-ter reports from Brussels.

Announcing the opening of new branch offices in Manchester, Dublin, Maastricht, Berlin, Paris and Moscow, Mr Marcel Cockaerts, chairman, said: "We went to grow in concentric circles [around Belgium]."

Mr Cockserts told the bank's annual press conference that a strong home base is the point of departure for a growing international activity in a unifying Europe".

The bank wants to build a network of subsidiaries in

presence in other countries if

The new policy is already reflected in the balance sheet; at the end of March, 47.1 per cent of non-consolidated assets were foreign, up from 43 per cent a year ago and 38 per cent

"In volume, foreign transactions are now as important as domestic ones," Mr Cockaerts He said domestic retail bank-

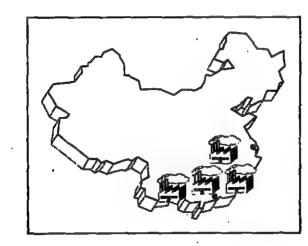
ing still accounted for twothirds of the bank's net profit, with the other one-third coming from banking abroad and professional business. However, slower earnings

profit growth, he said. "The pressure on our Belgian francs interest rate margin has

increased," Mr Cockaerts said. He said that, unlike last year, Kredietbank would not be able to fully compensate the rising cost of client deposits with a higher margin on lending

rates.
He said net profits in 1992 would increase, but not by as much as the 21 per cent jump to BF7.4bn (\$226m) in 1991-92. The banks plans to change its financial year-end to December. This year's accounting period will this run for nine months.

aircruft instrument systems.



GT Shenzhen and China Fund

US\$40 million 4 million units at US\$10.30 per unit



Fund Manager

GT Management (Asia) Limited



Placed by Credit Lyonnais Securities (Asia) Ltd

The principal objective of the Fund Is to achieve long-term capital growth by investing in the equities of companies in the People's Republic of China. The Fund is advised by Shum Yip Investment and Development Co., Ltd., a financial services company owned indirectly by the Government of the Shenzhen Economic Zone in South China.

These units have been sold. This announcement appears as a matter of record only.

CITIBANCO

HongkongBank The Hongkong and Shanghai Banking Corporation Limited (Incorporated in Hong Kong with limited liability)

U.S.\$400,000,000
PRIMARY CAPITAL UNDATED FLOATING RATE NOTES

Notice is hereby given that the Rate of Interest has been fixed at 5% and that the interest payable on the relevant interest Payment Date September 11, 1982 in respect of \$5,000 nominal of the Notes will be \$53.89 and in respect of \$100,000 nominal of the Notes will be \$1,277.78.

June 11, 1992, London By; Cilbank, N.A. (Issuer Services), Agent Bank

U.S. \$275,000,000 of which U.S. \$200,000,000 has been Issued as the Initial Tranche The Bank of New York Company, Inc.

Floating Rate Subordinated Capital Notes due 1997 Notice is hereby given that the Rate of Interest has been fixed at 5.25% p.a. and that the Interest payable on the relevant Interest Payment Date, September 11, 1992 against Coupon No. 27 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$134.17.

June 11, 1992 London By: Citibank, N.A. (Isaser Services), Reference Agent: CITIBANCE

NOTICE TO THE HOLDERS OF

Renown Incorporated

(the "Company") U.S. \$35,000,000 5% per cent. Convertible Bonds Due 1996

(the "Bonds")

At the Ordinary General Meeting of Shareholders of the Company held on 27th March, 1992, a resolution was adopted to amend the Company's Articles of Incorporation so as to change the Company's financial year-end from 31st December to 31st January, As a transitional measure, the Company will have two irregular financial periods, the first running from 1st January, 1982 and the second commencing on 1st August, 1992 and ending on 31st January, 1993. The first new full financial year will begin on 1st February, 1993. (the "Bonds")

The interest period (each 12 month period ending on 31st December) and the interest perment date (31st December) with respect to the Boads will not be changed. However, to take account of the above change in the financial year-end, the Company and The Industrial Bank of Jupan Trust Company (the "Trustee") have entered into a supplemental trust deed the "Bupplemental Trust Deed") amending the Trust Deed dated 17th December, 1981 which constituted the Boads, and the Terms and Conditions of the Boads (the "Conditions"). The Supplemental Trust Deed has, in particular, mended:

mended:

(i) the definition of "Dividend Accural Period" in Condition 8(B)(iii) to "the periods communing on 1st January, 1992 and ending on 31st July, 1992, and on 1st August, 1992 and ending on 31st January, 1993 and thereafter each 12 month period ending on 31st January in each year, provided that if the Articles of incorporation of the Company ser smended as provided horeinafter in this sub-paragraph (iii) or the Company shall change its financial year so as to end on a date other than 31st January the foregoing period shall be amended mutatis automatic "and

mutandis."; and
Condition (5,18)(iii) to provide that any Bondholder who converts his
Bondis) during the periods from 1st August to 31st December, 1992
(both days inclusive), or from 1st February to 31st December (both days
inclusive), in any year starting 1993 will receive an amount equivalent
to the interest occused calculated at the rate of 6% per cont. per
annum for the number of days clapsed during the period commencing
on 1st January and ending on 31st July 1s. 210 days or (as the case
may be) the period commencing on 1st January and ending on 31st
January 1s. 30 days, immediately preceding the conversion dote,
through the Conversion Agent with which the Bonds have been
deposited for conversion to or to the order of the relevant Bondholder.
No other payment or adjustment will be made upon conversion for
Interest accrued on Bonds surrendered for conversion since the
interest Payment Date last preceding the relevant Conversion Date.
amendment has been made with respect to conversions of Bonds made

No amendment has been made with respect to conversions of Bonds made during the periods from 1st January to 31st January in any year starting 1993 (both days inclusive). Thus, these Bondholders who, after collecting interest payments on their Bonds on 31st December in any year, convert their Bonds during the month of January in the following year, will also be able to collect dividends, if any are declared on 31st January in the following year and they choose to continue to hold the shares issued upon such conversion through such 31st January.

The foregoing amendments were made with effect from 27th March, 1992. Copies of the Trust Deed and the Supplemental Trust Deed are available for inspection at the principal office of the Trustee and the specified offices of the Paying and Conversion Agents listed below.

Trustee:
The Industrial Bank of Japan Trust Company 245 Park Avenue, New York N.Y. 10167

York N.Y. 10167

Paying and Concersion Agents:

Daiwa Europe Limited, 5 King William Street, London ECAN 7AX.

Robert Fleming & Co. Limited, 25 Copthall Avenue, London EC2R 7DR.

The Sumitomo Bank, Limited, Temple Court, 11 Queen Victoria Street,
London ECAN 47A. Banque Nationale de Paris, 16 boulevard des Italions,
75009 Puris. DG Bank Deutsche Genossenschaftsbank, Am Plats der
Republik, D-6000 Frankfurt/Main 1, Pierson, Heldring & Pierson N.Y.

Rokin 55, 1012 KK Amsterdam, Union Bank of Switzerland,
Balnhofstrasse 45, CH-6023 Zurich and Morgan Guaranty Trust
Company of New York, Avenue des Arts 35, B-1040 Brussela.

The Bonds will not be stamped or exchanged as a result of the amendment

The Bonds will not be stamped or exchanged as a result of the ame and will romain listed on the Luxembourg Stock Exchange. Renown Incorporated President and Representative Director

TRADING STRATEGIES & IDEAS Currencies Bonds 32 Southeast Street Energy • Metals & Oil Markets
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Hants \$023 9EH Tel: 0982 879764

Currency Fax - FREE 2 week trial ci)x Anne Whitby fel: 071-734 7174 from Chart Analys's Life 7 Swallow Street, London W19 7HD, UK 2 exchange rate specialists for over 19 years Fax 071-439 4966

C. ITOH & CO. LTD

To the Holders of the Bearer Depositary Receipts Notice is hereby given that the 68th General Meeting of Sharebolders of C. Itoh & Co. Ltd., will be held at 10.00 a.m. on 26th June, 1992, at the Head Osaka, Japon. Notice of coavecation of the meeting is evaluable at the Stock Counter, Hambros Bank Ltd., 41 Tower Hill, London EC3N 4HA, U.K. and Banque Internationale & Luxembourg S.A., 2 Boolevard Rayal,

Business Operations and Results for 1991/1992

Fiscal Year (ended 31st March, 1992) During Fiscal 1992, ended 3ist March, 1992, the Japanese economy experienced first-half expansion, albeit slow, supported by growing domestic demand. The second half was characterised by a failoff in domestic demand and inventory lovel adjustment by enterprises. As a result commodity prices downtrended, and conditions worsened for companies. Despite the tight labour market, an easing in domaind and supply imbalances for manufactured goods began to gain strength toward the end of the period, and during the foorth quarter a trend toward more belanced economic

and certag its foorm quarter a trend toward more balanced economic conditions emerged.

The Bank of Japan lowered the official discount rate three times during the period and lifted restrictions on land-related linearing in late December. Late in the period, the Government amounced implementation and promotion of public works-related projects as part of its emergency economic measures. Stock Market conditions throughout the year were sluggish, with a major plumpe in prices occurring at the end of the period. The U.S. economy declined during the first half. After the third quarter, private consumption levels peaked and production in the mining industry was sluggish, bringing chances for a recovery to a standatill. In Europe, lacklestre economic conditions continued to prevail in Britain, Although market conditions remained builtsh in Germany during the first half of the year, a slower, more balanced pace has been evident since last Fail. In France and Italy, economic developments have also decelerated.

Conversely, in Asia, the newly industrialised nations' prolonged economic expansion continued, supported by strong domestic demand and an increase in intra-regional exports. On the whole, members of the Association of Southeast Asian Nations were able to maintain high growth rates, aided by an increase in direct investment from abroad. Chian's economy was characterised by reassuring trends toward recovery. Despite the creation of the Commonwealth of independent States in Decumber last year, accounting and this operational environment, C. Itoh Initiated Global 93, its middered

conditions in the area continue to accurrence.

In this operational environment, C. Itab initiated Global 93, its midterm operational plan (1991 through 1993) to realise its vision for the 21st century. We have inaugurated the first stage of structural reform aimed at transforming the company to meet the vision embodied in its stogen "globally lategrated corporation". We also began implementing a variety of meets over the capand our earnings capability and to prepare for our future

To prepare for the arrival of the multimedia age and to assure our full-scale participation in the strategic visual media and information field, we established a tie-up with the world's largest visual media and publications company the U.S.-based Time Warner luc. Toshiba Corp., C. Itoh and Time Warner have agreed to provide funding to a U.S. venture responsible for Time Warner's existing business in producing and distributing movies and other products, and in handling Time Warner's cable network operations and programme supply. Together with our partners, we have also agreed to organise and finance the establishment of a similar business in Japan.

Our Shanghai aperation was the first whally owned as hadding to part to be

Our Shanghai operation was the first wholly owned subskilary ever set up by a Japanese trading company in China. We are participating in a number of other cooperative ventures, including a large-scale industrial participating participating in a number of development project in Da Lian. The company is engaged in long-term strategic planning in China, where progress on economic reform is occurring.

occurring.

C. Itoh is involved in cooperative projects with major domestic and foreign engineering companies, including the construction of a new, large-scale of refinery for the state-run Malaysia Oil Company, and the supply of goods to China's Tiesjin Consolidated Chemicals Co. for use at their ethylene plant. We are also actively involved in plant construction projects in other overseas

At the same time, we are working to help resolve global environmental lastes and making contributions to the international commanity. As a global corporation, our cooperative efforts during the year included the provision of research assistance to the Global Weather Studies Research Endowment Division, an organization working together with the University of Tokyo's Weather System Research Center to preserve the world environment. We also contributed to the training of international specialists through the special research lecture series offered by the University of Maryland in the United States.

United States.

Sales during the Fiscal Year, although hampered by the effects of Jugan's economic downturn during the last half of the year, recorded strong performances. Exports of plant-related equipment to southeast Asia and Africa and automobile exports to Europe climbed. Import transactions, however, declined, with falling crude uil prices lending to lower energy imports. The stack import market for moniterrous metals and produce and provisions, together with declines in oversess dealings in precious metals and energy, resulted in lower import levels. As a result, total trading transactions in Fiscal 1992 were 21.118 trillion Yea, 2.8 per cent lower than during Fiscal 1991.

Gross trading profit rose 4.2 per cent from the preceding year to 239.7 billion Yea. supported by strong domestic notivity and greater export transactions. As a result of bad debts written off, selling and general and administrative expenses rose and our balance of financial expenses worsened. Profits on securities sold led to a rise in non-operating income Ordinary profit declined 16.7 per cent to 54.2 billion Yea. As a result of adjustments for subsidiaries and extraordinary losses, net income fell 42.7 per cent to 19.0 billion Yea.

Annual Report for the 1991/1992 Fiscal Year will be available at Hambros Bank Ltd. and Banque Internationale & Luxembourg S.A. by the end of July, 1992.

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INTERNATIONAL CAPITAL MARKETS

Treasuries becalmed ahead of economic data release

By Patrick Harverson in New York and Sara Webb

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FOR the second consecutive day, a reluctance to trade actively ahead of important economic figures left US Treasury markets becalmed yesterday morning.

GOVERNMENT BONDS

By midday, the benchmark 30-year government issue was down & at 101%, yielding 7.889 per cent. The two-year note was also slightly weaker at midsession, down at 1001, yielding 5.074 per cent.

Treasury prices were actually firmer overnight in foreign markets, but as soon as New York opened they began to give ground.

A prediction late on Tuesday by Mr Robert Black, president of the Richmond Federal Reserve, that the US economy could sustain a 3 per cent growth rate, also unnerved

investors yesterday morning. The dominant trend in the market, however, was an unwillingness to take large positions ahead of today's economic data. The consensus of forecasts is for a 0.3 per cent rise in May producer prices and a 0.7 per cent rise in May

If the inflation number is significantly better and the retail sales much worse than the consensus, then the chances of another Fed interest rate cut will improve. Few market participants, however, are expecting any surprises from the cintm.

In the credit markets, the Fed arranged \$2bn in customer repurchase agreements to add reserves to the system and push the Fed funds rate lower. At the time of the intervention Fed funds were trading at 3% per cent, and by midday remained stuck at that level, slightly below the Fed's target

of 3% per cent. Analysts said the customer repos were not an attempt by the Fed to ease monetary pol-

■ DOMESTIC buying interest helped to support the UK government bond market with long-dated issues closing about

% of a point higher on the day. The gilt market traded in a narrow range, opening on a weak note but gaining strength from the firmness of the pound. The Liffe futures contract opened at 97.24, trading between 97.21-97.30 and ending the day at the top of its range. The benchmark 11% per cent

gilt due 2003/07 rose from 115}

to 116th to yield 9.32 per cent.

However, traders said gains at the far and of the maturity range were held in check by concerns about future supply The Bank of England announced last week that it would sell stock in the 2007-2012 maturity range at its auction on June 24. Yesterday, dealers said the rise in the 9 per cent gilt due 2012 (which is considered a possible auction stock) was limited by concern

about supply in this area, with

the issue rising only is to 99%.

BENCHMARK GOVERNMENT BONDS

		Coupen	Date	Price	Change	Yield	Ego	290
AUSTRAL	A	10.000	10/02	106-8257	-0.174	8.97	9.00	9.4
BELGIUM		9.000	10/80	100.0500	-0.200	8.89	8.87	8.80
CANADA '	•	8.500	04/02	100.9500	-0.250	8.35	8.43	8.5
DENMARK	•	B 000	11/00	100.2200	-0 060	8.94	8.63	8.77
FRANCE	BTAN OAT	8.500 8.500	03/97 11/02	98.3013 98.3500	+ 0.060	8.93 8.73	8.87 8.66	8.65 8.57
CERMANY	,	8.000	01/02	100.5000	-0.100	7.91	7.97	7.97
ITALY		12,000	02/02	95,9900	+ 0.690	13.13†	12.94	12.58
JAPAN	No 119 No 129	4 800 6.400	08/99	95.2439 104.8172	+0.003	5.75 5.51	5.76 5.50	5.85 5.59
NETHERLA	NDS	8.250	02/02	99.7000	+0.050	8.26	6.36	8.30
SPAIN		11 300	01/02	89 1500	+ 0.400	11.42	11.22	10.66
UK GILTS		10 000 9.750 9.000	11/96 08/02 10/08	102-23 103-28 99-24	+ 2/52 + 5/32 + 1/32	9.23 9.15 9.03	9.21 9.10 8.92	9.27 9.15 9.02
US TREAS	URY "	7.500 8.000	05/02 11/21	101-03 101-07	-1/32 -4/32	7.34 7.89	7.35 7.89	7.36 7.89
ECU (Fren	ch Govt)	B.500	03/02	97.1400	+ 0,180	8.94	8.81	8.63

The Bank is due to announce foreign exchange markets.

the auction stock next Tuesday.

drifted down to a low of 88.16 before regaining some of its ■ THE German government bond slipped back during the lost ground to end at around 88.30. Traders said they saw day following the weakness of some profit-taking following

in the wake of Denmark's rejection of the Maastricht Treaty. Last week's referendum result shook the European government bond markets and prompted investors and dealers to switch out of the higher-yielding bond markets into the D-Mark bloc.

■ JAPANESE government bonds opened on a depressed note, due to the combination of a weaker yen and the overnight fall in the US Treasury market, but picked up to close slightly higher on the day.

Dealers said buying interest was stronger for short-dated issues than for longer maturities. The benchmark No 129 issue traded in a narrow range, opening with a yield of 5.53 per cent and ending the day at 5.51 per cent.

"The market is sidelined awaiting fresh factors", said one trader, adding that many of the market participants are waiting for the release of the Bank of Japan's quarterly "Tankan" report tomorrow.

the national railway, issued FF3bn bonds, split between

domestic and international

A further French franc deal

is expected to add to already

investors.

Row erupts over Italian bond trade settlement

By Tracy Corrigan

A ROW over the settlement of Italian government bonds traded during turbulent market conditions last week has legal questions on the jurisdiction of domestic and internabroken out between several London-based firms and a tional domains which have yet number of Italian banks.

A US investment bank, a Swiss bank and a broking firm are among the London-based firms to have experienced disputed trades with Italian TEATING.

The trades, entered last week when the market fell sharply after the Danish referendum rejecting the Maastricht Treaty, should have been set-tled this week. But some Italian banks have claimed trades are void because settlement had not occurred within three days, the standard settlement period in the domestic market. In the international market, when bonds are cleared through Cedel or Euroclear,

seven days is the standard settlement period. Failure to settle within the standard time is usually penalised by the charging of interest, according to one of the London-based banks, Conse-

quently, they are challenging

the Italian banks' position

that, under Italian legislation

down three points since the Danish referendum result The bid/offer spreads quoted by some liquidity has disappeared, as banks try to minimise Widespread selling by international investors, who had

year, the trades can be consid-

ered void, or a surcharge lev-

The issue raises a number of

The international bond mar-

kets are regulated by the Inter-

national Securities Market

Association, which is a regula-

"If there is a transaction between two ISMA members in

an ISMA product, then ISMA

regulations, including seven-

day settlement, should apply,

Many banks face substantial

losses in the Italian govern-

ment bond market, which is

tory body in the UK.

said an ISMA official

to be clarified.

been enthusiastic buyers of the paper, left some Italian banks with the impression that they were expected to mop up pools of paper despite a lack of enthusiasm from domestic

Moody's cuts rating on four Japanese trust banks

By Emiko Terazono in Tokyo

MOODY'S Investor Service, the US credit ratings agency, lowered the ratings of four Japanese trust banks due to their vulnerability to the volatile stock market and deterioration

in earnings quality.

Moody's lowered long-term debt ratings of Mitsubishi Trust and Banking and Sumitomo Trust and Banking to A2, and Yasuda Trust and Banking and Toyo Trust and Banking to

Moody's said that the trust banks were affected by financial liberalisation in Japan, and faced lower profitability

due to the sharp falls in stock and real estate prices.

The trust banks have substantial had loans to real estate companies and non-bank financial institutions. Trust banks are also hurt by the decline in fee based income from discretionary investment management and real estate brok-

Japan's Deposit Insurance Corp (DIC) will give Sanwa Bank Y20bn (\$156m) to assist its merger with Toyo Shinkin Bank, Reuter reports from

Tokyo. DIC said the money would be given as a grant, which does not need to be repaid.

CALLS PUTS
Jun. Sup. Date Jun. Sup. Date

Canadian insurers move in on trusts

By Robert Gibbens in

MORE Canadian life insurance companies are understood to be planning links with trust companies to strengthen their defences against growing com-

petition. Last week, North American Life Insurance, with assets of C\$7bn (US\$5.8bn) and C\$64bn insurance in force, paid C\$51m to take over First City Trust, part of the ailing financial services empire of the Belzberg family.

North American Life is headed by a former banker. Mr William Bradford. Two government deposit insurance agencies put up C\$175m in loans to restore the trust company's capital position. Mr Bradford called the deal

an excellent strategic fit. First City has 31 retail trust branches across Canada and a deposit base of C\$3bn.

Canada's new financial services legislation now coming expanding there.

into force and which is aimed at making a more competitive industry. Banks, insurance companies, investment dealers and trust companies can invade each other's territory, subject to federal super-

vision. In recent months, insurance companies have taken over 20 trusts. Manufacturers Life, Sun Life and Laurentian Life have bought trusts and North American Life is buying First City Trust. The trend is towards towards more concentration in financial services.

The acquisitions allow the insurance companies to move into consumer lending and deposit-taking, as well as developing the traditional fiduciary SETVICES. However, trusts have been

poor profit-makers in the long recession and some are losing money. Some big life companies are refusing to join the rush. Great-West Life, for The deal is fully in step with example, does half its business in the US and is actively

FT/ISMA INTERNATIONAL BOND SERVICE

Mobil tests demand for sterling paper

By Tracy Corrigan

FIRMER demand for sterling bonds was tested yesterday by a £110m seven-year deal for Mobil North Sea Oll. The deal was considered aggressively priced to yield 30 basis points

INTERNATIONAL BONDS

more than the comparable gilt issue. Deutsche Bank Capital Markets won the mandate to arrange the issue, after the borrower took bids from a range of banks.

ing at historically tight levels. The World Bank's 10 per cent Eurobonds 1999 are yielding 28 basis points less than the comparable gilt. Deutsche Bank said the pricing was reasonable compared with BP's 9% per cent Eurobonds due 1998 which are trading at a spread of 32 hasis points over the curve. since BP is considered a weaker credit than Mobil. Nevertheless, a 30 basis point

ers. "We did sell bonds, but could not have got rid of a large chunk," said one trader. The deal was quoted at 99.40, fractionally above its fixed reoffer price.

Dealers have reported that the Eurosterling bond market has been a beneficiary, to some degree, of the malaise in some other European bond markets. Although the sterling bond market lost some ground after the Danes rejected the Masstricht Treaty, it has held up

relatively well, and is one of the higher-yielding European markets still considered rela-fr3bn bonds, split between tively secure. Dealers report some funds put aside for the Ecu bond market have been used to buy sterling Eurobonds.

The Liffe bund futures con-

tract opened at 88.37 and

In the French franc sector, two new issues emerged on the back of firmer market conditions. Crédit Local de France added FFr1bn to its recent issue of 15-year zero-coupon bonds, while Société Nationale

heavy supply in the sector this week when Caisse Nationale des Autoroutes, the motorway financing agency, taps the market today. CNA is believed to be preparing a FF2bn nine-year deal, having cancelled plans to issue in Ecu. **NEW INTERNATIONAL BOND ISSUES**

1	range of banks.				,				
١	Eurosterling bonds are trad-	Borrower US DOLLARS	Amount m.	Coupon %	Price	Meturity	Fees	Book runner	
Į	ing at historically tight levels. The World Bank's 10 per cent	Hitachi Cradit Corp(a)†	100	7.125	101.116	1997	1.676/1.75	Nomura Inti.	
l	Eurobonds 1999 are yielding 28 basis points less than the com-	NTERLING Mobil N.Sea Oli(a)†	110	9.625	100.916	1999	1.875/1.25	Deut.Bk.Cap.Mitts	
Į	parable gilt. Deutsche Bank	CANADIAN DOLLARS Hamilton-Wentworth(e)†	75	8.25	100.875	2002	2/1.625	Wood Gundy	
l	said the pricing was reasonable compared with BP's 9% per	(IUH DERS Rabobank(a)†	300	8.5	100.975	1997	1/0.625	Rabobank	;
	cent Eurobonds due 1998 which are trading at a spread of 32 basis points over the curve.	FRENCH FRANCS Credit Local de France(b)† SNCF(d)†	1bn 3bn	2970 8.6	27.72 97.361	2007 2004	256p 1.30	BNP Cap.Mids. Credit Agricole	
	since BP is considered a weeker credit than Mobil.	YEN Fuji Electric Corp(c)†	30bn	(c)	101,80	1997	1.876/1.5	Nikko Europe	
	Nevertheless, a 30 basis point spread was considered over-ambitious by some deal-	A-kPrivate placament. #Convert with outstanding FFr2bn deal. N investors' option to increase b borrower: Regional Municipality	on-callable. c) (v 20cc until 17.	Coupon pays 6.82. e) Put	4.75% from	m 24.5.92 t Par exercis	o 30.9.92 ti lable once	en 6.10 annually therea: only on 22.7.92. Full no	fter, d)

MARKET STATISTICS

E	1/45	-	14 1 60	100	un	MAL BOND SERVIC					۱
Listed are the latest international bo	ads for y	dich th	áco je y	n adec	e eten	scondary market	Lefeet p	rices at 7	TIC PTO	on June 10 Jag.	
U.S. DOLLAG STRAIGHTS	Taring		Offer	7	Yield 6.26	OTHER STRAIGHTS		044	974 954 994 975	ery Yield	Bri
ABN 9189 1 THATGHT ANN 9189 91 ALBERTA PROVINCE 9 389 5 MISTINA BLZ 00. BANK OF TOKYO 8 389 96 MISTINA 92 97 98 MISTINA 92 97 98 MISTINA 92 9	200 400 400 400 400 400 400 400 400 400	2051; 1051; 1051; 1104; 1104; 1061; 1061; 1061; 1061;	206 ls 109	*******	6.43	BAYERISCHE VEREINS INT 794 LFr COPENHAGEN TEL 8 5/8 96 LFr	006 008	944 984	954 MOL	9.85 9.15	Cor
AUSTRIA 8 1/2 00	400	105	105	-5	7.53	WORLD BANK 8 % LFT	1000	1025	773	L.98	Fir
RELGIMA 95/298	. B	1204		7		EMERGIE BENEER 13/4 98 F1	500 906	105	100 h 105 h	8.14 8.13	Pla
BFCE 7 34 97	156	1035	1031	+4	6.2	ALBERTA PROVINCE 10 548 96 CS	500	1055	107%	-\ i35	Mi
BRITISH CAS 8 3/8 99	36	1014	105	-4	迅	BELL CANADA 10 5/8 99 CS	150 120 120 100 100 100 100 100 100 100 10	1075	100	1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-	On
CANADA 9 %	1000	1081	1001	+14	134	DB 70 7/8 88 C2	130	36.5	37	4 69	ı
CARCO 9 14 96 CITE 9 14 95 CITE 9 14 95 CREDIT FORCIER 9 12 99 CREDIT FORCIER 9 12 99 DENMARK 9 14 99 DENMARK 9 14 99 DEC 2 14 96 DEC 2 14 96 DEC 2 14 96 DES 3 14 97 CREDIT FORCIER 9 14 99 DEC 2 14 96 DEC 2 14 96 DEC 3 14 96 DEC 3 14 97 THAN SECONDER 9 12 89 THAN SECONDER 9 13 89 EMAC 9 18 96 EMAC 9 18 96 EMAC 9 18 96	300	100	1085		78874	DB 10 1/8 98 CS 14 99 CS 15 FORD CREDIT CANADA 10 94 CS	275	1051	1054	近 	l
COUNCIL EUROPE 8 96	LIIO	100	1045	14	5.89	MENTIFICIAL LAPTIAL IN 18 LS	300	1055	1053	1444 - 1	
DENMARK 8 1/4 94	150	110	1054 1054 1054 1044 1104		3.61	KFW DIT FIN 20 CL CS	400	105	1065	그 20	1
DEHMARK 9 1/4 95	127	1073	1054	\$77777 *	190	CFW MIN FM 2001, CS MINPPORTED & TELL 101, MI		100%	1085	9.20	1
DECR 1/4 96	165	105 k 104 107 k 107 k 105 k 105 k	105	-5	6.73	OSTER KONTROLLRANK 10 1/4 99 CS		1074	1075	-4 eta	1
DB 7 3/4%	1000	1093	1104	3	컜	SELGIUM 9 1/8 96 Em	1250	995	100	777774	-
ELEC DE FRANCE 9 98	200	107 4	108-	-1	7.740万里月日7日本7	OFNIMADE 7 5/8 96 Ect	掘	934	222	1 936	١
FURDELMA 9 1/4 96	100	1087	106 1087 1107 1097 1087	74	171	EEC 75/894 Ecu	200	46.6	97.5	1 9.73 1 9.03	
EXPORT DEV CORP 91/2 98	150	110	110.5		7著	FERRO DEL STAT LO LAS 95 Em	36	102	1034	4.35	12
FINLAND 77/8 97	200	108	109	-49	6.8	(TALY 10 3/4 00 Et)	1000	1084	1084	9.36 9.34 +4 8.44	۱ 🕨
FORO CAPITAL 9 3/4 97	30	1084 1084	1084	4	14	EP AMERICA 12 1/4 9/ AS	100	110 P 101 102 103	"11	+4 8.50 +4 8.50	(F
SEN ELEC CAPITAL 7.3/8 VIII	200	105%	1064	-4	7.8	COMMA BK AUSTRALIA 13 3/4 99 AS	700	1111	120%	+4 8.80 1.72	1 –
GUINNESS FINANCE 8 94	200	104 4	1044	_	5.77	EUROFINA 145/894 AS	污	1127	1124	7,43	1 :
SEM ETEL CAPITAL 7-35-96 GUINNESS FINANCE 8-94 GRI OUTL FIN 7-34-94 HITER AMER DEV 7-58-96 TALY 93-12-94	200	1101	1064 1044 1044 1023	-4	7.50	MCDOHALDS CAMADA 15 15 AS	75 160 150	谜	100 100 100 100 100 100 100 100 100 100	·	1 3
INTER AMER DEV 7 5/8 %	200	T/MIL	1005	4	5.47	STATE BK HSW 14 1/4 99 AS	100	1217	122 4	9,8	1
JAPAN DEV BK 8 94	150	1061 104% 1101 ₂	100		1.02	URNEVER AUSTRALIA 1298 AS	100 120 100	现	1125	社 933 734 937	d
KANSAI ELEC PWR 10 %	200 250 150 350 200		103	+14	7567999763 7767999763	ABBEY NATL TREAS 13 3/8 95 £	100	107%	1084	9.87	
KAISA ELEC PWR 10 98 LTGS FINA 897 79 NEW TEALAND 9 94 NEPPOR CED BR 10 3/8 95 NIPPOR TEAL A TEL 9/8 95 NIPPOR TEL & TEL 9/8 95 NIPPOR TEL STATE NIPPOR 9 3/4 95 NIPPOR TEL STATE NIPPOR 9 3/4 95 NIPPOR TEL STATE NIPPOR 9 3/4 95 NIPPOR TEL STATE NIPPOR 9 1/4 95 N	USO .	1077	107	***********	5.70	EET 75/8 94 Ecu EB 10 97 Ecu EB	1,070	1065 1065	1084 1045 107	10.22 9.76	1 .
HIPPON CRED BK 10 3/8 95	150	1095	110%	-	6.13	BRITISH LAND 12 1/2 1/5	300 150	106-2	107	12.02	1 :
ONTARIG 8 1/2 01	600	1025	10812	-5	8.06	E18 10 97 E	123		1025 1025	+4 9.35	(
DITARIO HYDRO II SARK O 1/2 01	200	109	1094 1054 103	3	5.75 7.68	FINLAND 10 1/8 97 \$	100	1024	102 % 102 % 105 % 91 %	9.49	l l
PETRO-CAMADA 7 1/4 96	200	1017	103	**	6.69	LAND SECS 9 1/2 07 E	200	91	713	10.73	1
DUEBEC PROV 9 98	200	1064	106 L	-5	7.65	MORWAY 10 1/2 94 £	200	101%	1015 1071	9.59 9.80	1
SAMSBURY 9 1/8 %	150 200	1074	108 1075	3	744	SEVERN TRENT 11 1/2 99 C	150	1064	10612	10.23	ſ
SBAB 9 1/295	150 200 200 200 200 200 200 200 200 200 2	1064 1084 1104	1075 1083 1105 1054		7.35 7.25 7.25	TOKYO ELEC PUWER 11 01 6	150	1011, 1071; 1064; 1065	1074 1061 ₂ 1064 ₃ 1084 ₄ 1044 ₅	10.25 9.65	-
SNCF 9 1/2 98	200	1044	1054	Ξ.	7.25	WORLD BANK 11 1/4 95 £	100	104	10412 .	9.61 8.52	l
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DESTRUCHE MARK STRAIGHTS						FLOATING RATE MOTES	Interest	na.	Off	er C.coo	[]
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AUSTRIA 6 3/4 99	750 200 1000 400 600 100 200 300 300 500	924 100	1002		8.30 8.24 9.02	BANCO ROMA D.03 01 BELGIUM 1/16 97 DM	200 500	92.93	100.	9.6875	
DEITISCHE FINANCE 7 1/2 95	1006	9612 8913 9012	964		R 11	BFCE-0.02%	350	99.96	100	26 39175	1
EIB 6 1/4 99	600	901	89 ¥	#	8.15	BFCE - 0.02 %. BRIT OS. BRIT ARNIA 1/10 % 6. COZE OB ECE 0.15 %. COZE OB ECE 0.15 %. COZEDIT FOR CER - 1/16 %. DEVIMARK - 1/8 %. DEVIMARK - 1/8 %. DECEDITE FOR CER - 1/12 % DM. ELEC DE FORMEE 1/12 % DM. ELEC DE FORMEE 1/12 % DM. ELEC DE FORMEE 1/12 %. EREL ARD 9%.	300 150 200	98.36 99.18	98. 99.	5 5.2500 5 10.6625	
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		4				ITALY 00 LEEDS PERMANENT 18 96 E LLOYDS BANK 1/10 PERP S.3 MITSUI FIN ASIA 18 96 MAT WEST PM WIS 05	400	92.63 100,20	\$3. 100	5 43750	1
SWISS FRANC STRAIGHTS	Jhe	ST.	89		7.30	NEW ZEILAND 189 % RENEE 98 SCHETE GENERALE 96 STATE BK VICTORIA 0.05 99 UNITED KINGDOM - 126 96 YORKSHIRE BS 1/10 94 £	250 500	99 64	100.0	75 43750 11 41880 18 18750 79 45625	1
ASIAN DEV BANKO III	100	87 k	884 99 89	1 ₂	7.30 7.33 7.06 7.28 7.23	SOCIETE GENERALE %	300		99.	9 45625	
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ONTESEC NYDERS 505	150	84	85		7.12	· GOLD KALCOOR JE 7 1/2 00	.65	10554	ML I	+53.25	othe
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west employers						RAINSON 9 1/2 OS 5 HAWLEY 6 02 PREF HAWLEY 6 03 PREF HAWL	150	3.97	197 1	201	and a
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AUSTRA 4 34 94	20000 40000	104 -	1045	-	537	MITSUI BARK 25/8 03	200	2332.6	601	25 +29.18	"
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KITER AMERICEV 7 1/4 00	30000	1084	1085	+14	5.90	SMITH & REPREW 4 02 6	90	3606.9	591 L	O1 1851	1
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SWEDER 5 3/8 YO	50000 ~ 1500u	10042 Codema	tion of t						, day=	Change on	۱=
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RISES AND FALLS YESTERDAY							LIFFE	EOL	JIT.	7.1	OP.	THO)ME
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	1						P. & D. (*490.)	460 E	90 57 14 34	70 45	8 25	20 2 39 4	24 1 65 (*
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g up Date High Low P		160 Zł ₂	8	11 :	24 22	23	(*38)	35 51 40 21	6	815	1	64 81	h A
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Refocused Amersham at £21m

AMERSHAM International, the health science group which has refocused its activities on radioactive products, increased pre-tax profit by 34 per cent to \$20.7m in the year to March 31. The previous year's pre-tax figure was reduced from £16.5m to £15.5m to provide for the burying of radioactive waste, which has been stored since dumping at sea was banned in 1983. The provision also

knocked £9.6m off net assets. Turnover improved to £273.5m (£242.4m) and operating profit to £23.5m (£19.7m). Interest costs were cut to £2.8m (£4.2m) as net debt came down from £41.1m to £700,000 following the final £47m of Eastman Kodak's payment for the clinical reagents division.

Mr Kirk Stevenson, finance director, said the operating profit from clinical reagents fell from £9.4m to £6.4m as income switched towards a royalties stream rather than a divisional contribution.

Ongoing businesses increased profit by 42 per cent to £23.9m (£16.8m), after a 23.3m rise in R and D spending to £13.7m. The figures benefited from £1.9m of exchange

Life sciences, which serves academic institutions and the research departments of phar-

SHARES IN Electrocom-

ponents rose 17p to 284p after the distributor of electronic,

mechanical and electrical com-

ponents reported a drop in pre-

tax profits from £55.2m to

£49.9m in the year to March 31.

executive since April 1991.

ascribed the share price rise to three factors: increased operat-

ing profits from the core RS Components business; "demon-

strable" cash management

across the group, which has

cut gearing from 28 per cent to

nil: and a higher-than-expected final dividend of 5.1p (4.8p) for

RS, which in November

added mechanical products

and tools to its electronic and

electrical products catalogue

business, achieved a £400,000

rise in operating profits to

£56.9m on sales 9.6 per cent

a total of 7p (6.6p).

Mr Robert Lawson, chief

By Peter Pearse



Bill Castell: substantial growth in North America

Electrocomponents declines to £49.9m

ahead at £275.2m. Mr Lawson £31m (£27.8m) - £24.4m of this

maceuticals companies, made by far the biggest profit contribution of £20.9m, up 26 per cent, on sales of £92.7m (680.7m). This partly reflected recovery from a poor fourth quarter of the previous year. Mr Bill Castell, chief execu-tive, said there had been substantial growth in North Amerlca and a focus on margins. It

said this was in spite of the

recessionary conditions in a

"difficult year", the payment of

rates for 10 months as a result

of the termination of the Corby

Enterprise Zone, and the £3m

budgeted start-up losses from the fledgling RS Germany. RS's "encouraging perfor-

mance" was offset by an oper-

ating decline from £1.3m to

£600,000 at Pact International

which distributes components

Misco Group, the computer supplies catalogue business, also had "an extremely diffi-

cult year", said Sir Keith

Bright, chairman. It tumbled to

operating losses of £3m (profits

22m) on sales down at £71.7m

Group turnover fell 5 per

cent to £395.1m and there were

exceptional costs of 23.6m

(£800,000). Below the line there

were extraordinary charges of

to the retail market.

Healthcare remained the laggard with a profit contribution of only £100,000 (loss of £1.8m) on £83.8m turnover, up 33 per cent. This included a full year of Medi-Physics, a US radiopharmaceuticals company which had had been brought back into profit in the second half. Price competition contin-

Ceretec. a brain imaging

relates to the restructure of

Misco and the balance to the

sale of Mesa Distribution of the

Having realised the recovery

would not be short and sharp,

the slow, steady progress at RS

is increasingly valued. And the

new management's clear strat-egy to refocus the group, cut out peripherals, and expand

beneath the umbrella of RS's

solid distribution network is

COMMENT

Earnings were 15.3p (17.4p)

product, increased sales from £10m to £14m. New products would include Metastron, for prostatic cancer, and Myoview to trace blood flow through the

The industrial quality and safety assurance division improved its profit contribution by 24 per cent to £4.6m on £36.2m sales

Earnings per share went up 44 per cent to 23.7p (16.5p). A final dividend of 8.80 makes total of 12.5p (11.8p).

O COMMENT

The newish management at Amersham has gained considerable credit for refocusing the business and restoring strong earnings growth - hence the 15p share price rise to 479p. Life science should continue to drive profits forward, although the most room for improvement clearly lies in healthcare. Lower interest costs should help offset a further fall in the contribution from clinical reagents. A pre-tax forecast of £24m gives a prospective p/e of more than 17. The share price has virtually doubled since November 1990 as the group has shed some problems and re-established its growth credentials. There seems little scope for short-term improvement, although it is still at a small discount to the health

could be applicable across dif-ferent technologies. Finally the success of RS's overseas expansion bodes well for the future, though it may be next year before the benefits are apparent. Full-year pre-tax estimates were upgraded from £54m-£57m to £56m-£60m, giving a prospec-

G Wood provides new platform for Bristol

By Jane Fuller

MR PAUL Bristol, who sold out of Brompton Holdings a year ago, is re-entering the UK stock market through the refinancing of Graham Wood, a structural engineer.

He said that, after making the group safe, he would use it to make acquisitions. This might take him back into the oil services sector. He used to be involved in Oilfield Inspection Services and Bristol Oil and Minerals.

More recently he built up Brompton, a USM-quoted safety inspection and testing group, which was taken over by Adia of Switzerland, last June in an £11.7m deal. Mr Bristol had a 16 per cent stake. Graham Wood announced yesterday that Mr Bristol was proposing a significant cash injection and had become exec-

utive chairman. The shares were suspended at 16p after receivers were appointed to Blight & White, a structural steel subsidiary. Although it had completed work on such prestige projects as Euro-Disney and the centre court at Wimbledon, its latest big contract was for Olympia

& York at Canary Wharf.
Mr Bristol said it seemed unlikely to get payments of up to £400,000 and that was the ast straw. Its debts amounted to about £2.5m.

The remainder of the group including its main Graham Wood Structural subsidiary. was unaffected by the receivership as there were no cross-

However, borrowings of 25m remained and discussions about the refinancing were taking place with the Royal

Australian underwriting losses cut CE Heath profits by £6.5m

By Richard Lapper

CE HEATH, the insurance group, reported pre-tax profits sharply lower at £19.1m compared with £25.6m, for the year ended March 31 1992, hit by underwriting losses run by an Australian subsidiary. However, before exceptional

tems the profit rose to £31.5m (£28.8m), largely as a result of strong growth in insurance broking with turnover rising to £101.6m (£77.5m) - topping the £100m mark for the first time in the group's history.
A final dividend of 18.375p is

declared, giving an unchanged total of 25.875p. The losses, which emerged in

the form of an exceptional item of £12.4m, resulted from a discontinued line of aviation reinsurance business formerly underwritten by the group's Australian underwriting operation, CE Heath International Holdings, whose flotation was announced in March.

Insurance broking profits were up to £18.6m (£16.1m), underwriting profits down to £12.8m (£14.8m) and computer services higher at £5m (£3.8m) Investment income was lower at £13.5m (£14.3m).

Income at the group's com-puter services division is up to E39.2m (£34.1m). On an underlying basis bro-kerage income increased by 13

per cent while expenses were

up 9 per cent. Brokerage expenses were up to £97.7m (£76.8m). Heath has now virtually completed its withdrawal from the higher risk and more volatile world of insurance underwriting Completing a process of corporate restructuring

started in 1986. After the flotation of CE Heath International Holdings in Australia, Heath reduced its own shareholding from 90 per cent to 46 per cent.

A separate underwriting sub-sidiary, the Bermuda-based Pinnacle was disposed of last

O COMMENT

Yesterday's exceptional item shows that Heath has not com-

pletely left behind its difficul-ties of the mid-1980s, which is one of the reasons why the market reacted unenthusiastically to the results, marking the share down 5p to 397p. Another is that dividend

state as

lambros

cover, even on the assumption months climb to £28m, will remain tight for the foreseeable future. Profits of that level would produce earnings per share of about 23p, leaving the group on a prospective p/e of

At first glance it might seem demanding, but the results also show the group is now a long way from the crisis-ridden days, when its senior broking staff were rushing for the exits. Heath is now much more focused on its core broking activities, with a balanced spread of business. stretching from more stable but low-margin UK retail, to more exciting and bigger margin wholesale husiness such as the group's Latin American operations which showed impressive

HSBC eligible for FT-SE 100

THE FT-SE 100 Index steering committee yesterday considered the eligibility and timing of HSBC Holdings becoming a constituent of the FT-SE 100 and agreed that all shares of HSBC Holdings would be eligible for inclusion in the Index from the date on which the final offer for Midland

In arriving at its decision, the committee took into account that

Bank became unconditional in

2) HSBC Holdings has made a public commitment that the enlarged company will become UK tax-resident from January

3) It would cause unnecessary confusion and disruption to exclude shares in HSBC Holdings following the final offer becoming conditional in all respects, given that Midland Bank was presently a constitu-ent of the Index and would need to be removed but not replaced by the enlarged HSBC Holdings until January

right to remove HSBC Holdings from the Index should the company not become UK tax-resident, as planned. The Joint Index Committee

of the Institute and Faculty of Actuaries has agreed that HSBC Holdings will join the FT-Actuaries All-Share Index from the date the final offer for Midland Bank becomes unconditional in

The committee reserves the right to remove HSBC Holdings from the Index should the company not become UK tax-

Draft), its public relations com-

pany (Rowland), and its media-buying arm (Zenith) are seen

by both men as central, a

sprinkling of smaller US and

UK companies are going to

there will be any loss-making operations by 1993," says Mr Scott. One plan likely to come

to fruition before the end of

1998 is to expand Zenith's media-buying operation

through a European link.
Mr Scott can hardly be fur-

ther removed from the com-

mon image of an advertising

person; he epitomises caution

and exudes thoughtfulness.

Thus he was keen to empha-

sise the gradualist approach he

has to steering Saatchi back onto the straight and narrow.

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DIVIDENDS ANNO

313

The It

"We don't anticipate that

come under close scrutiny.

1) HSBC Holdings is UK incortive multiple of about 17, which seems reasonable. The Committee reserves the Saatchi confirms seamless transition at the top

all respects.

Gary Mead on the appointee who will take control of the group's gradual recovery

welcomed. A one-concept, rather than a one-business, AATCHI & Saatchi yescompany is not a worry as catterday confirmed at its alogue-selling has proven to be annual meeting in London that Mr Charles Scott, cursturdy enough through the recession. Adding part two (mechanical products and rently chief operating officer, will assume the role of chief tools) to the catalogue has executive from June 1993. been well received and goes to replacing Mr Robert Louisshow that the same concept Dreyfus, who will resign from

At one level the move comes as something of a surprise, though it has been a poorlykept secret for some time that Mr Louis-Dreyfus wished to

move on. He was brought in in January 1990 to draw up and implement a rescue operation, a recapitalisation scheme which, 16 months later, was successfully in place. Although the group is no longer on the deathbed, it is still in convales-

In March the group reported pre-tax losses of £58.4m, on a annualised basis, to the end of December 1991, against pre-tax profits of £35.6m for the year to September 1990.

It is still facing earn-out pay-ment burdens of \$21m this year, rising to £28m in 1993, but falling to £13m and £10m in the following two years. Net

Over 1 up to 2

Over 6 up to 7.

Over 15 up to 25

Detect: 11th June, 1932.

PUBLIC WORKS LOAN BOARD RATES

Notice of Redemption

at the Option of

The Rank Organisation Pic

(Registered in England No. 324504) (the "issuer")

£50,000,000

10% per cent. Bonds due 2008

(the "Bonds")

(the "Bonds")

Holders of the Bonds are given notice that the Issuer will exercise its option to redeem the outstanding £80,000 nominal of the Bonds on the next interest payment dete, 11th July, 1992, pursuant to Condition 6(b) of the Bonds at a price of 108.25 per cent. Payment of principal, premium and interest accrued up to, and including, the 11th July, 1992 will be peld through the Principal Paying Agent and its subpaying agency network as listed in the Conditions of the Bonds.

Bonds, Coupons and Cheques (if any) in respect of payments thereof will become void unless presented for payment within periods of twelve years (in the case of Bonds) and six years (in the case of Coupons) from the Relevant Date (as defined in Condition 7) in respect thereof.

Quota loans

debt in the final quarter of 1991 averaged 2200m. But on another level, the appointment of Mr Scott will

be as close as possible to a seamless transition. Mr Louis-Dreyfus brought Mr Scott into Saatchi to assist with the refinancing negotiations. Thus the move recognises Mr Scott's key role in bringing financial control back to an organisation which was

rapidly sliding into shambles. The two will be working in

tandem for the coming year, as they have since January 1990. Mr Scott says that it is difficult to outline financial targets over the short term due to the depressed state of world economies. "The reality is that to sit here now and say how much revenues are going to increase in 1993 is not a sound basis for

planning. Improving group performance will not be easy this year, when advertising revenue projections of 2 per cent real growth are already being revised downwards. How will Mr Louis-Dreyfus and Mr Scott improve operating margins from the "clearly unacceptable" 2.8 per cent 1991 level to



Charles Scott: difficult to set short-term targets

their target of reaching 10 per cent in the next three years? Mr Scott sees the key in dealing with loss-making areas: "Whatever happens to revenues, we will raise margins to 10 per cent by the elimination of loss-making concerns, either by turning them into profit or closing them down. I don't

think we would necessarily sell companies in order to raise margins; though we would sell them if we don't see them as being a core business for the

international advertising networks, (Saatchi & Saatchi Worldwide and BSB), the direct

For 1992, he is content to hope for small but real improvements: "It will be a year not dissimilar to last year. with things showing constant improvements. We have been company."

Thus while the group's two working all the time on rationalising the company and that will continue. My particular role is to improve the earnings as much as possible."

NOTICE OF EARLY REDEMPTION

To the Holders of

MORGAN GRENFELL INVESTMENTS N.V.

US\$50,000,000 Floating Rate Notes Due 1994 (the "Notes")

(the "Notes")

NOTICE IS HEREBY GIVEN that, Morgan Grenfell Investments N.V. (the "Company"), pursuant to Condition 8(c) of the Notes, will redeem all of the outstanding Notes on July 17, 1992 (the "Redemption Date") at their principal amount together with interest accrued to the Redemption Date (the "Redemption Price"). In the case of a Bearer Note payments will be made in US Dollars or, at the option of the holder, by transfer to a US Dollar account maintained by the Payee with or by US Dollar cheque drawn on a bank in New York City, on the Redemption Date at the Redemption Price upon presentation and surrender of the Notes together with Coupons relating thereto at the offices of Morgan Guaranty Trust Company of New York in Brussels and London or at Krediethank SA Luxembourgeoise in Luxembourg or at Swiss Bank Corporation in Basie, Switzerland or for the payment of principal only at the New York office of Morgan Guaranty Trust Company of New York. Coupons due on July 17, 1992 should be presented and surrendered in the usual manner. Payments of principal on a Registered Note will be made by US Dollar cheque drawn on a bank in New York City against surrender of the Registered Note at the New York office of Morgan Guaranty Trust Company of New York (the "Registrar"). Upon application by the holder to the specified office of the Registerar not less than three business days prior. application by the holder to the specified office of the Registrar not less than three business days prior application by the noticer to the specified of the negativar not less than three business days prior, to the Redemption Date, such payment may be made by transfer to a US Dollar account maintained by the payee with a hank in New York City. Payments of interest on a Registered Note will be made in the usual manner. All payments are subject to any fiscal or other local laws or regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10 of the Notes.

Each Note presented for redemption should be presented together with all unmatured Coupons appertaining thereto. Unmatured Coupons due after the Redemption Date (whether or not attached) shall become void and so payment shall be made in respect thereof. Notes and Coupons will become void unless presented for payment within a period of 10 years in the case of the Notes and 5 years in the case of Coupons from the Relevant Date (as defined in Condition 10 of the Notes) relating thereto.

MORGAN GRENFELL INVESTMENTS N.V. By: Morgan Guaranty Trust Company as Principal Paying Agent

Dated: June 11, 1992

Any payment made within the United States or by transfer to an account maintained by a non-U.S. payer with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (*IRS*) and to backup withholding at a rate of 20% if a payer not recognised as an exempt recipient fails to provide the paying agent with an executed IRS form 48, certifying under penalties of perjury that the payer is not a United States person. A payment made within the United States to a nonperjury that the payer is not a United States person. A payment made within the United States to a non-exempt U.S. payer is reportable to the IRS and the U.S. payer is required to provide to the paying agent an executed IRS form W-9, certifying under penalties of perjury the payer's taxpayer identification number (employer identification number or social security number, as appropriate) to avoid 20% withholding of the payment. Failure to provide a correct taxpayer identification number may also subject a U.S.

FINANCIAL TIMES CONFERENCES

THE ALLOCATION OF RADIO SPECTRUM

London, 22 & 23 June 1992

Advances in technology have led to a mushrooming in important communications services that need radio to operate. Huge investment is needed to develop new services such as satellite telephones, global radio programmes, HDTV and space communications.

Questions to be addressed include:

How should the radio spectrum be allocated?

 What services should be run on it - competing or monopoly?

How can transnational services be co-ordinated? Speakers include:

Ambassador Jan Baran Chairman of the US Delegation to WARC '92

Mr Jean Grenier

Rear-Admiral Robert Walmsley

Mr Jerrold Adams Mr Mike Tiplady

Mr Michael Goddard European Radiocommunications Committe Dr John Forrest

Mr Richard Jay Solomon Massachusetts Institute of Technology

Mr Chris Earnshaw Mr Guntis Berzins

THE ALLOCATION OF RADIO SPECTRUM

FINANCIAL TIMES CONFERENCES

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FT SURVEYS

2.7

B. C. Owers, Secretary For and on behalf of The Rank Organisation Pk ROYAL BANK OF CANADA PRINCIPAL PAYING AGENT

Estate agency loss leaves Hambros lower

By Roland Rudd

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and financial services group, yesterday reported a fall of 8 per cent, from £80.4m to £74.4m, in pre tax profits for the year to March 31, mainly due to losses in the group's estate agency business.

Mr Charles Hambro, chairman, said: "Economic conditions both at home and abroad continue to remain somewhat uncertain,'

Retail financial services. which consist mainly of Hambro Countrywide, the estate agency operation, incurred losses of £6.3m compared with £800,000. The losses were largely due to the fam cost of setting up non-mortgage products.

Although Hambro Countrywide increased its sales of houses by 8 per cent to over 40,000 in a declining national market, the merchant banking and financial services group said the year had started very

Since the general election there has been increased activity in the housing market but Mr Hambro warned that "more time and solid evidence" was still needed before one could speak of a firm recovery.

A strong performance from the banking division, which HAMBROS, the merchant bank increased profits from £69.2m to £73.4m, was mainly due to Eurobond and Treasury operations. Income from corporate finance also increased on the back of some big rights issues in the UK and European cross-border transactions.

Provisions for bad debts were higher at £13m (£8m). However, Mr Chips Keswick, deputy chairman, said the largest single debt was £3m and there were no loans to the property market.

Hambros is also involved in eastern European privatisation, such as the paper and pulp mills in Czechoslovakia and Poland and is working as contractors for the government know-how fund in the Ukraine. Profits from direct invest-ments fell from £28m to £24.1m. Berkeley Hambro increased its retail income by 18 per cent but had to provide against a

fall in asset values. On the UK investment side the group said it was working on five unlisted investments with a book value of £4m. Fully diluted earnings per share were 25.4p (27p). The final dividend is increased to 9.6p (8.8p) making a total of

M&A to dispose of 2,000 poster sites

By Peggy Hollinger

HAVAS, the French parent of Mills & Allen, the UK outdoor poster company, yesterday agreed to abide by the Monopolies and Mergers Commission's ruling that its British subsidiary must dispose of 2,000 sites acquired last

Due to the complex history of these particular roadside sites, the parent company was required to give its own under-taking - in addition to that of its UK subsidiary - to sell panels acquired through the purchase of Brunton Curtis in

April 1991. An MMC inquiry into MAI, Mills & Allen's previous owner, in 1987 had ordered the disposal of these same sites which were subsequently sold to Brunton Curtis. The purchase of Brunton by M&A revived the commission's original objections, even though it was under new ownership.

The sites to be sold include all 48-sheet (10 ft by 20 ft) or larger panels owned by Brun-ton Curtis when it was acquired by M&A.

Interest charges reduced to £17.7m as borrowings are cut by more than £100m

Across the board improvement at Racal

By Richard Gourlay

THE MOST impressive element of Racal Electronics' £55.6m pre-tax profits reported yesterday is the exceptional strength of its cash generation.

As a result, debt has fallen to £121m from the £225m it stood at after the demerger of Vodafone Group last September. While £40m came from tighter working capital control, even more was generated from operations which last year made combined losses of £21m at the pre-tax level. There is nothing like being

on the receiving end of a hostile bid - that fails - to sharpen up a company's operations. What it means is that both Chubb, the security division which is to be floated this October, and the remaining Racal businesses will carry a considerably more manage able debt load, with all that means for interest payments and the ability to grow by acquisition.

The turnaround appears to have been across the board. Most impressive, for a business thought to have been in a cash cow phase of its business cycle, is the 20 per cent increase in operating profits to £53.8m at Chubb on sales up only 3 per

Also improving was the radio communications division, where profits almost doubled to £22.5m, mostly on the back of successes in the US and Can-

The marine and energy division, part of which was believed to be up for sale, increased profits from £14.98m to £16.29m, as a result of improvements in the energy area. Sir Ernest Harrison, Racal chairman, said yesterday that the Marine division will not be sold.

Network services, which includes the service which carries data between government departments, bounced from losses of £14.36m to losses of only £306,000 as the investment programme and start-up costs came to an end.

Defence radar and avionics improved from losses of £335,000 to a £6.38m profit and could be the exciting new division of the late 1990s if Racal is as successful as it hopes to be in developing the telephonesin-aeroplanes market that Racal says has a potential for sales of \$1bn within 10 years. The Achilles' heel remained

the data communications division which, after Chubb, is the largest business area with

David Elsbury, Racal's chief operating officer (left), Sir Ernest Harrison, Racal's chairman and chief executive (centre), with David Peacock, chief executive of Chubb

sales of £323.7m producing profits of £1.82m. This improvement from losses of £11.8m partly reflected restructuring but the market is, and will remain after the recession ends, particularly competitive in the US.

Sir Ernest recognises that

unless profitability is improved here, benefits emerging from improvements in the other divisions could be dwarfed.

The key is to get profitability into data communications," Sir Ernest said.

level of debt, the interest

As a result of the reduced

from £37.47m to £17.7m and gearing fell from 35.4 per cent

to 19.1 per cent, Earnings per share rose to 2.3p from losses of 2.01p and the company is proposing a final dividend of 0.7p, giving a

NEWS DIGEST

Airsprung buoyed by interest fall

SHARPLY REDUCED interest charges, stable raw material prices and improved productlyity combined to lift annual profits at Airsprung Furniture

Group by 39 per cent. The Wiltshire-based company lifted profits for the year to end-March from 23.5m to a record £4.87m pre-tax on turnover marginally ahead to

£58.1m (£56m). Interest charges, partly reflecting the proceeds of last July's rights issue, dived from £907,000 to £130,000. Egraings per share, after release of deferred tax previ-

ously provided, amounted to 38.1p (21.6p). A final dividend of 4.87p lifts the total for the year to 7.50

AH Ball achieves growth of 16%

In demanding market conditions AH Ball Group managed a 16 per cent rise in pre-tax profits, from £825,000 to £960,000, in the 12 months to March 31. Sales were little changed at

The USM-quoted civil engineer said that the malaise in the construction industry continued to affect the water and gas market sectors.

However, profit margins in the second half benefited from adjusted depreciation rates. and the commercial completion of contracts substantially finshed in the first half. A recommended final divi-

dend of 4.8p brings the total to 7p (6.75p). Earnings per share were 10.19p (8.04p). The shares added 10p to 160p.

Comac ends year £362,424 in black

Comac Group, the USM-quoted supplier of specialist staff for the computer industry, reported pre-tax profits of £362,424 for the year to end-De-This compares with losses of

£34,853 last time and consolidates the turnround to profits of £187,000 at the interim stage. The result was struck on turnover down slightly from £10.4m to £9.97m. At the operating level profits grew from

262,508 to (A39,641, Income from interests in an associated undertaking fell

from 250,675 to 27,944. Net interest payable declined from 2148,036 to £85,161. Earnings per share were 4.05p (0.75p losses).

Porter Chadburn achieves £5.59m

Porter Chadburn, the leisure products, notepaper and labels producer, announced pre-tax profits of 25.59m for the year to March 27.

That compared with 25.82m

last time, restated to reclassify extraordinary reorganisation costs as exceptional. Mr Raymond Dinkin, chair-

man, said that without the restatement profits would have been 20 per cent lower than last year.

He said the results, which included £1m from the sale of part of the packaging division, had been severely affected by management and control weaknesses in the consumer leisure division where operating prof-its fell from 24.98m to 21.9m.

Profits from packaging were £2.63m (£1.7m) and specialist distribution £1.61m (£1.93m). Group turnover increased to £132m (£112m).

Barnings per share fell from 5.65p to 5.18p and a final divi-dend of 1.65p is recommended for a total of 2.5p (2.4p).

Moorgate Smaller net assets up 8.9%

Moorgate Smaller Companies Investment Trust reported a net asset value of 112.03p as at April 30 1992, a rise of 3.9 per cent since its inception in May

Net revenue for the period amounted to £2.34m for earnings of 4.83p per share. A pro-posed final dividend of 2.325p brings the total to the anticipated 4.125p.

M&G Second Dual net asset value up

M&G Second Dual Income Trust lifted net asset value from 446.1p to 474.02p per capital share over the year to May

Net revenue was virtually unchanged at £2.39m, equal to earnings of 23.86p (23.79p) per

income share.
A final dividend of 10.67p makes a total of 23.86p (23.78p) for the year.

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DIVIDENDS ANNOUNCED Total Total for Date of year year July 31 Aug 3 July 24 Aug 7 July 17 Aug 14 Sept 4 8.8 4.8 7.5 32 2.5 5.1 9.6 18.375† 12.5 7 10.5 11.8 8.1 4.55 7.5 29 2 4.8 8.8 10.5 3.75 13.8 12.8 25.875 25.875 Aug 21 July 31 July 27 July 24 July 14 Sept 9 18.375 1 0.95 0.875 10.67 10.67 9.6 2.325 0.85 9.27† 13.7 8 1.85 0.7 nil 2.41 13.6 4,125 121 July 24 Aug 28 Sept 4 Oct 1 Sept 23 Oct 1 2.52 14.5 18.6 16.12 20.5t 12 2.5t 8.5 12.4 8 1.6 12 2.4 Aug 27 2.9

Dividends shown pence per share net except where otherwise stated. tOn increased capital. \$USM stock.

Daily Mail

SHARPLY LOWER input from

exceptional items resulted in a 5 per cent fall in pre-tax prof-

its at Daily Mail and General

Trust in the six months to

2326.7m, but after a reduced

mainly reflected lower sales of

Newspapers increased their contribution to £31.3m

(£28.3m). The group's three main titles, published by Asso-

ciated Newspapers, are the Daily Mail and Mail on Sunday

and the Rvening Standard. The

performance benefited from

increased revenues from circu-lation and display advertising

combined with lower raw

declines

5% to

£22.8m

Northumbrian Water ahead 30%

By Angus Foster

NORTHUMBRIAN Water, the smallest of the 10 water and sewage companies by market capitalisation, yesterday announced a 30 per cent increase in profits, the biggest rise so far in this year's reporting season.

Mr David Cranston, chief

executive, said increases in profits and turnover were mainly due to last year's 16.7 per cent average price rises, but the company also managed to improve its operating mar-

gins.
Northumbrian lifted pre-tax profits from £46.9m to £61.1m in the year to March 31. This followed a 35 per cent increase at the interim stage to £31.3m

Turnover increased by 22 per cent to £204m (£167m). Core, regulated water sales increased by some 16 per cent to £170m

Unlike water companies in the south of England where recession hit harder, turnover from industrial users held to

Northumbrian said its "enterprise", or unregulated, companies increased sales threefold. But operating results were "insignificant", and Northumbrian Environmental Management, a large waste



David Cranston: advance mainly due to price rises

management subsidiary, ing would remain under 20 per

remained loss-making.
Interest receivable fell to £4.4m (£13.3m) as net cash fell to £6.1m (£74.7m). This was due to Northumbrian's mounting capital investment programme, and capital expenditure for the regulated business increased to £105m (£100m). Mr Cranston said he expected Northumbrian to have net borrowings by the end of this year, although gear-

Earnings per share increased 31 per cent to 85.5p (65.3p). The company is recommending a final dividend of 13.7p (12.4p) to make a total of 20.5p (18.6p), a 10 per cent increase. Dividend cover increased to 4.2 times The company faced five pros-

ecutions for sewage treatment failures, compared with three in the previous six-month period. Recent figures from Ofwat, the water regulator, showing Northumbrian to have a high level of customer complaints about water quality. were due to a mains scraping and re-lining programme, Mr Cranston said.

Profits towards the top end of expectations and a generous dividend, helped Northumbrian weather yesterday's price declines in the water sector, and the shares recovered to close down ip at 467p. At first sight, the company's high-lighted improvement in operating margins, up nearly 7 per cent to 27 per cent, should stem past criticism of its cost levels. Then again, perhaps Northumbrian could have done better considering the size of last year's price rises and the fact that margins were helped by a lower, and therefore curi-ous, depreciation charge. Profits for this year of £70m (including 17m from a one-off stock market investment fund), put the shares on a p/e of less than 5, with a yield of 4.3. Those not yet convinced by the company's moves into unregulated businesses, and agressive financial management, may prefer to wait until the division

The group also includes Northcliffe Newspapers, Euro-money Publications and Harmsworth Media. Trading profit of other media activities jumped to £3.9m (£700,000) on sales of

naterials costs.

Resters shares.

£32.5m (£27.9m). Revenues increased from Euromoney magazines and contributions improved from new areas such as energy, law and tax publi-

Other activities lost £1.4m (£200,000 profit) on lower turnover of £19.5m (£22.7m). Income from associated undertakings fell due to lower trading profits at Bristol Evening Post and Whittle Commu-

nications in the US. The pre-tax figure also included the sale of the company's wharf in Purfleet, east London, which produced a profit of £10.4m. However, there was also a property pro-vision of £8.1m reflecting the state of the London office property market.

Net borrowings fell £8m since the year end to £370m at March II. An extraordinary item of

Ch.5m accounted for the sale of Argus Shield, the security services business, to Pinkertons of the US and Adverkit, the graphics arts business. The interim dividend is 32p

Profits increases were

recorded by all four of North-

Group trading profits rose 23 per cent to £137.5m. The dairy

division raised profits by 25 per

cent to 162.5m on sales 27 per

arn Foods' divisions.

Acquisitive year for Northern Foods

(29p) on earnings of 165.2p

Aerospace recession behind 35% contraction at JFB

By Peggy Hollinger

THE DEEP recession in the aerospace industry dealt a heavy blow to profits at Johnson & Firth Brown, the metals and engineering company which yesterday revealed a 35 per cent drop in interim profits from £5.08m to £3.31m ore-tax.

Sales rose from £313.3m to Mr David Hall, joint manag-ing director, said the group had been forced to sustain exceptional credit of £3.4m (£8.7m) the pre-tax figure was £22.8m, against £23.9m in the previous first half. to . . . maintain market share". "constant pressure on margins The reduced exceptional

Operating profits at the Firth Rixson subsidiary, which relies mainly on aerospace customers for its rolled rings used in engines, collapsed from

£2.1m to £673,000 as a On a brighter note, Mr Hall said the group was beginning to see signs of life in aerospace. Mr George Hardie, joint managing director, said that orders trend was continuing. "But it is a very shallow line,

and we are not expecting a massive upsurge," he added. During the year JFB sought to cut costs by reducing its workforce, mainly in Firth Rixson, by more than 10 per

The £250,000 redundancy costs had been taken out of profits in the first half.

Sales for the six months to March 31 were marginally lower at £60.3m (£60.9m), but were buoyed by the inclusion for the full half year of Monroe Forgings in the US and Cobden Chadwick.

Two further acquisitions were made during the half year at a cost of £3.5m.

Benefits to the rest of the company of the Monroe acquisition, which opened the door to aerospace engine giants such as GE and Pratt & Whitney, were not expected to in the second quarter had been come through for at least

better than the first and that another 12 months, Mr Hall

However, JFB was now for the first time included on the tender lists for orders from companies such as GE.

Light engineering suffered a

£2.2m, cushioned by a series of small acquisitions, Mr Hardie

gentle decline from £2.3m to

Casting benefited from acquisitions to contribute £783,000 (£465,000).

Capital expenditure was running at roughly double the £3.5m annual depreciation charge. Net cash balances totalled £12.5m.

Earnings per share fell from 2.9p to 1.6p; the interim dividend is maintained at 1p.

JFB also announced the appointment of Mr Martin Llowarch the former British Steel chief executive, as deputy chairman.

"We are very pleased," said Mr Hardie. "We consider it quite a coup."

Chief quits at Northumbrian **Fine Foods**

Mr Richard Adams has resigned as chief executive of Northumbrian Fine Foods, the USM-quoted biscuit and snack maker. He has held the post for 22 years writes Angus Fos-

Mr Kevin O'Keeffe, a non-executive director, will become non-executive chairman. Mr John Gibson, group finance director, has been appointed acting chief executive while a new chief executive is sought. Mr O'Keeffe said Mr Adams had decided Northumbrian's enlarged size called for a new

style of management. "There was no bust up," he said. Northumbrian's shares fell 2p to 43p. The company said pre-tax profits for the year to March 31, due to be announced in July, are expected to be about 2700,000, compared to £264,000 in the previous

Overseas growth masks sharp decline to £13.6m at Cape

By Peggy Hollinger

STRONG GROWTH overseas partly offset a sharp decline in the UK at Cape, the fire protection, insulation, and building products group.

Nevertheless, pre-tax profits declined by 21 per cent to £13.6m for the 12 months to March 31. Mr Michael Farebrother, chief executive, said sales out-side the UK had risen by 49 per

cent, to about 40 per cent of total group turnover. The strength of the overseas businesses helped overall turnover rise by 10 per cent to £202.9m. Acquisitions in the Netherlands and Germany contributed £17m in sales and about £1m in profits, Mr Farebrother said. After spending £7m on new companies and a further

58m in capital expenditure, the

group still had £16.5m (£21.7m) net cash which would be used for further acquisitions and

> Mr Farebrother said the strong cash position, and the secure position of Charter Consolidated, its 67 per cent shareholder, gave good reason to maintain the final dividend at 7.5p, for an unchanged total of

Of Cape's two main divisions, building and architec-tural products was the worst hit. Operating profits were sliced by 46 per cent to £6.88m amid the depressed conditions of the UK construction indus-

Industrial services, which supplies insulation and scaffolding to the power and petrochemical industries, increased its contribution through acqui-

NORTHERN FOODS' balance

sheet has borne the costs of its

acquisition programme, which

totalled £398m in the year to

end-March, up from £69m the

Net borrowings at the year end were £199m (£53.4m). Shareholders' funds fell from

2305.4m to £277m, leaving gear-

ing at 72 per cent (18 per cent).

off of £282m, a £6m fair value

adjustment and a £36m provi-

sion to cover rationalisation

costs at Express Dairies and

Eden Vale. Part of the acquisi-

tion was funded by a rights issue which raised 2227m after

Mr Martin Clark, finance

director, said that the group's

cash flow was strong. He said internally generated funds cov-

ered a record level of capital

spending of 193m (£61m) with

In the current year, he said,

capital expenditure would rise to £120m, but would fall the

year after that. As a result the

depreciation charge of about

£40m in the past year would rise to about £60m in the cur-

rent year. Mr Clark said that from 1998

£30m to spare.

There was a goodwill write-

By Maggle Urry

year before.

Cape, which was on the brink of collapse in 1965 amid the turmoil surrounding its vithdrawal from asbestos mining, had cut about 400 of its 4,000 jobs in the past year. As a result, administration costs were 13 per cent down year on

year, Mr Farebrother said. Earnings per share, depressed by a higher tax charge, fell from 23.99 to 17p.

Gartmore Scotland

At March 30, net asset value of Gartmore Scotland Investment Trust was 228.9p per capital share and 106.4p per zero divi-dend preference share. Net rev-enue was £1.21m for the nine months to April 30 for earnings of 9p per share. A third interim dividend of 2.8p makes 8.4p to

Morrison Construction down 10% Kuwait after the Gulf war from

MORRISON Construction, the privately-owned Scottish build-ing company, increased turnover and operating profits in the year to March 31 but experienced a 10 per cent fall in

pre-tax profits. The pre-tax line was 25.1m (25.7m) on sales ahead 9 per cent to £193.2m. Operating profit was up 4 per

cent at £5.6m. In 1989 Morrison increased in size by two and half times when Mr Fraser Morrison, chairman, and his family acquired the outstanding 80 per cent of the company from Charter Consolidated.

The group operates in both Scotland and England, but avoids the south-east.

The building and property development division proved successful last year but the small housebuilding sector lost money and the civil engineering division encountered problems on a pipeline contract although it continued to operate profitably.

Morrison, which has no other foreign operations, was the only British company to win emergency repair orders in

cent higher at \$568.6m.
The slight weakening in margins was accounted for by the

inclusion of Express Dairy. Sig-

nificant savings are expected

from the closure of two dairies

and the head office in London

and a 19m spending pro-

gramme at the Express dairy in Ruislip, west London.

The convenience food divi-

sion raised profits 35 per cent

to £29.4m on turnover of

2379.8m, some 34 per cent

ahead. Underlying growth was 10 per cent. This included Eden

Vale, the chilled dairy products

business acquired with Express

Mr Chris Haakins, chairman,

said he expected margins at

Eden Vale to double eventually

when its head office had been

closed, private label business

keting effort was put into

Meat had a flat second half,

leaving profits for the year 9

per cent up at £24.1m (£22.1m).

supply of chickens. Grocery

products, including Fox's bis-cuits, achieved a 21 per cent

profit rise to £21.5m.

Recession affected sales to the catering industry, while the poultry business only

e even because of the over

brands such as Ski yoghurt.

was introduced and more man

Dairy.

the US Corps of Engineers, a fact which Mr Keith Howell, finance director, said was due to the company's ability to promise speedy mobilisation and to its existing contacts in Saudi Arabia.

The £12m worth of orders in Kuwait produced film of operating profit which Mr Morrison called an "excellent

Morrison now has nil gearing and enjoys positive cash

Mr Morrrison said he expec-ted only a gradual recovery in construction markets: Mr Howell said that seeking a Stock Exchange quote was an option the company was "holding open until the time is

HO. 002726 OF 1871
IN THE HIGH COURT OF RUSTICE
CHAPCIEST TO MILLON
Mr. Instice Miller
Monday the 11th day of May 1972
IN THE HATTIN OF

POSTER BLECTRICAL ROYLES LIBERTS

IN THE MATTER OF
THE COMPANIES ACT 1985
HOTICE IS INDISENT OWING that the Order of
the High Court of Justices (Chancery Devision)
dated the 11th day of May 1992 confinning the
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Company from E2145,100 to E2,160,803 and the
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of Companies on the 22rd day of May 1992.

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Person Appointing the Administrative Patentine
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Palice, Cork Gully, Abates Court, 6 Minuted Street, Manchester Mt. SED. Office Helder No. (2701)

ELLE, BON & VIDLER LIMITED Registered up. 2013988. Nature of business Dunker in Whos, Spins sto. Tank classification 12. Data of averaginators of administrative

Dushus in Whee, Spehs etc. Tends classification:
12. Date of appointment of administrative receivers 29 May 1992. Mumo of person appointing juint administrative receivers it National Westerlanders Runk: pln. John Administrative Receivers: N J Vergitz and CJ Haghes. Office Helder Nov. 6339 and 2041. Orchard House, 10 Albion Flace, Medicina, Rest Mill4 SDE

NA PAKATTARI 128/025

154 Pleat Street

LEGAL NOTICE

No. 002754 of 1992 DETING LEGISLAT OF JUSTICE. CLANICEDLY DIVISION My Jupice Millor Manday the 11th day of May 1992 BY THE MATTER OF RING MARTER OF LIMITED

IN THE MATYER OF IN THE COMPANIES ACT 1MS
20(17) CE IS I ERREY CIVEN that the Order of
the High Coert of Justice (Cheencey Division)
detection of the Capital of the above-massed
Company from £12, 156,000 to £7,507,700 and
the Munic approved by the Court showing with
respect to the Capital of the Company to placed
the several perticulars required by the abovementioned Act were registered by the Progletter
of Companies on the 23rd day of May 1892.
Deach the 11th day of Just 1892.
2PERCHAY BERCHAM, Serverie Henne,
154 Plant Street,
Lession ECMA 21X
Reft PAKAMTD/01128/036

Red PAKAMTO/091124/036

Solicitors for the shows-named Company

QUADRANT HAMPERS LIMITED Registered no. 2509 223. Trading name 1 Quadrust Hamper Ltd. Trade classification: 16. Name and Address of Joint Administrative Receivance is Elemphs and M.J. Moore, Cath. Chilly, Albien Court, 5 Albion From, Londe LSI.

GIFT HAMPERS GIFT EAMPERS
INTERNATIONAL LIMITED
Registered no. 2492893. Trading meant Gift:
Humpers betweentenst Ltd. Trade classifications
16. Keges and Address of John Administrative
Receivers E Ribergies and M J Moore, Carlo
Gally, Albies Cree, 5 Albien Flace, Look
1.51 GIP, Office Holder Numbers: 5791 and
1500 Trade Americans & May 1002 Numbers
1500 Trade Americans & May 1002 Numbers

5562. Date of Appointment M May 1992. Name of Appointment Michael Sank pic

COMPANY NOTICES

QUEBEC CENTRAL RAILWAY COMPANY CAPITAL STOCK
In preparation for the payment of the
half-yearly dividend due July 15
1992 on the above stock, the
transfer books of the company at 3.50
p.m. on June 26 1992 and will be reopened July 6, 1992. D.A. Keent

June 11 1992

THE ROYAL BANK OF CANADA

THE ROYAL BANK OF CAMADA U.S. \$300.000.000 Floating Rate Debanders Note due 2015
NOTICE IS HEREBY GIVEN that for the Interest Period commencing on 12th June, 1992, the Notes will bear interest at the rate of 43% per annum. The Interest payable on 14th September, 1992 against Coupon No. 26 will be U.S. \$10.934027 per U.S. \$1,000 nominal.

Apart Bank Agent Bank

ROYAL BANK OF CANADA EUROPE LIMITED

ART GALLERIES

S MARCHANT & SON Announce as exhibition of Qing Mark and Period Monochrome

and Two-Coloured Wares, 7-26 June. 10sm - 5pm excl. seckends, 120 Kensington Church Street, London W8.

INDIA 1992

The FT proposes to publish this survey on June 26 1992,

call

This survey will be read in 160 countries worldwide, including. India where it will be widely distributed. In: Europe 92% of the profession a i investment. community regularly read the FT. If you want to reach this important audience,

Louise Hunter, .: 071 873 3238 or Fax 071 873 3079.

> Data source: Professional TMPG Int 1]

FT SURVEYS

1

GREECE

onwards the group would gen-erate substantial cashflow.

Meanwhile, interest cover was

comfortable. He expected bor-

rowings to remain at the same

absolute level during the

current year, but gearing would fall as shareholders'

Martin Clark: profit increases across the board

The FT proposes to publish this survey on 15 June 1992.

Professional investors in over 160 countries worldwide and 54%* of chief Executives in Europe's largest companies will see this Financial Times Survey. This definitive examination of Greece, its business, its position with the European community and its politics will be retained by influential FT readers for future reference. For a copy of the editorial synopsis and advertisement rates contact Alec Kitroeff in Athens

Tel (1) 671 3815 Fax (1) 6479372 or Connie Davis in London Tel (071) 873 3514 Fax (071) 873 3428.

Data source: Chief Executives in Europe 1990

FT SURVEYS

MERSEVSIDE

The FT proposes to publish this survey in July 2 1992. The Financial Times is

read by more senior European business executives than any other international publication To reach this crucial audience and promote cial life of Merseyside contact : Ruth Pincombe Tel: 061 834 9381 Fax: 061 832 9248

Queen Street Manchester M2 5LF

FT SURVEYS

or write to her at Alexandra Buildings

LAC LEMAN

The FT proposes to publish this survey on
October 22 1992.

This survey will be seen by leading into
businessmen in 160 countries worldwide,
Switzerland where it will be widely distributed.

In Europe 92% of the professional investment of

ligel Bicknoff or Stanone Egli in Clemeva on 731 16 04 Pax 731 94 81 or Patricia Surridge in London on 071 873 3426.

FT SURVEYS

FROM I JULY 1992 a new sliding scale of late filing penalties will be imposed on all limited companies that fail to file their accounts on time. Just one day late and a company will be automatically penalised. The longer the delay - the more there is to pay (see table). Up to Up to Up to More then

COMPANY

DIRECTORS

FROM JULY IST

YOUR COMPANY WILL BE

CHARGED IF YOU ARE LATE

FILING YOUR ANNUAL

ACCOUNTS

Company 5 mouths late 6 mouths late 12 months late 12 months late PUBLIC \$500 \$1000 82000 \$5000 PRIVATE \$100 \$250 & LOUG And remember, the responsibility for Illing accounts on time lies with you, not your accountant. So don't leave it too late -

> make sure you deliver your accounts promptly. for mure information please telephone Companies House on Cardiff (0222)

COMPANIES HOUSE Crown Way, Cardiff CF4 3UZ.

ANZBank Australia and New Zealand

Banking Group Limited A.C.N. 005 357 522 (Incorporated with limited liability in the State of Victoria) U.S. \$200,000,000

Floating Rate Notes due 1994 Notice is hereby given that for the Interest Period 10th June, 1992 to 10th September, 1992 the Notes will carry a Rate of Interest of 4.26563 per cent. per annum with an Amount of Interest of U.S. \$109.01 per U.S. \$10,000 Note. The relevant Interest Payment Date will be 10th September, 1992.

Bankers Trust Company, London

Agent Bank

shind?

From Saturday, the FT answers the questions he never would.



On November 5th an empire collapsed.

The discovery of Robert Maxwell's body in the sea off Gran Canaria sparked a series of questions that have remained unanswered for too long.

Now the real story can be told. Specialist FT writers have been digging deep into the Maxwell empire.

THE BIG LIE: INSIDE MAXWELL'S EMPIRE.

They've had access to Kremlin files. Their enquiries have taken them to the U.S., Eastern Europe, Liechtenstein and the Middle East. They've spoken to former Maxwell insiders who, for the first time, have given their version of events.

The story tells of the complicated web of deceit into which so many were drawn. "THE BIG LIE", unravels this web and explains how one man was able to delude the financial world.

It tells of the divisions and strains in both his family and his companies; the rages, the firings, the lies, the revenge.

This exclusive story unfolds in six consecutive episodes.

It begins this Saturday, only in the FT, and it answers the questions he never would.

No FT...no comment.

COMMODITIES AND AGRICULTURE

Exports dent Russia's official gold reserves

lian consortium called Star

Technology Systems would be

allowed to conclude a deal

making it the first foreign com-

nany to huy into a Russian

preliminary talks with interna-

tional mining companies,

including RTZ and Newmont,

into, would most likely be put

He said he had already held

gold mining enterprise.

By Leyla Boulton in Moscow

RUSSIA HAS exported 30 tonnes of gold so far this year and its official reserves now stand at a total of 210 tonnes. the chief of the republic's coordinating body for precious stones and metals said yester-

Mr Yevgeny Bychkov said that 75 tonnes of the gold reserves were with the Russian central bank, while the remaining 135 tonnes are being held by his Committee for Precious Stones and Metals.

The latest reserve figure, dating from June 1, is lower than the 240 tonnes figure (of January 1) given as the reserves of the whole Soviet Union before the country collapsed in

The decline in reserves has occurred because very little gold has been extracted since the Sovlet reserves were transferred to Russia (the Russian gold mining season begins in May and ends in November)

cover in the mean time", Mr Bychkov explained.

He said figures for annual gold production remained confidential. But he dismissed a forecast he attributed to Mr Valery Rudakov, head of the state Rosalmazzoloto gold and diamond mining conglomerate, that production was expected to fall by 30 per cent this year. He also said that the gold needs of domestic industry (jewellery and electronics) would total about 90 tonnes for this year.

The government had also committed itself to exporting at least 25 per cent of gold production, so that it could pay producers some hard currency. According to one western estimate, total gold production of the former Soviet Union last year was 220 tonnes, and could

fall to 200 tonnes in the next three years. Mr Bychkov admitted that a key priority was to attract investment into the flagging gold industry, but suggested it

on ways in which they could do business in Russia. He said the Sukhoi Log mine, Russia's largest proven hard rock gold deposit and part of the state-owned Russian company Star wants to be buy

out to tender - a process that would take a long time. Lenzoloto, the Russian enterprise in question, has said it needs money fast, to keep up work already begun on this and other parts of its operations. Mr Bychkov said the Russian state would give it \$16m - proceeds from other gold sales - to keep going. "It is a form of government help,"

Although copper is not part

of his responsibilities, Mr diamond sales, said he Bychkov revealed that Russia remained dissatisfied with Rusalso planned soon to put out to international tender the development of one of its biggest copper mines · at the Udokan site in Siberia.

He said that the government also hoped that freeing the domestic price of gold to a world level of \$11 a gramm (Rbs85 according to the official market exchange rate) would stimulate output.

That was the price the state would pay producers for their gold. But unresolved difficulties remained. One was how to support the

self-employed brigades that undertook seasonal mining but remained dependent on big state-owned enterprises for equipment. Another was how to restructure the enterprises Mr Bychkov, who was

appointed to the head of the committee formed by President Boris Yeltsin in November after he was cleared of wrongdoing in a scandal over illicit

sia's partnership with De Beers' Central Selling Organiration. A deal concluded between

the CSO and the Soviet Union in July 1990 gave Moscow a \$1bn loan against future dia-mond deliveries. The five-year agreement also

gave De Beers the exclusive right to sell Russian uncut (rough) diamonds on international markets. Mr Bychkov said Russia had no alternative but to abide by

the deal, but suggested that it

skills to do so on any signifi-

inhibited Russia from polishremained to be sold. ing more of its own ston Aquastar was appointed last He said Russia had both the November by a consortium of Norwegian banks and the Norknow-how and the equipment to engage in the more profitwegian government to sell the able activity of cutting its own diamonds, rather than export-ing rough stones. But even stock of frozen salmon left by FOS, the Norwegian fish farmers organisation, when it went though nothing in the De Beers bankrupt. This amounted to 20 deal banned Russia from tradper cent of annual Norwegian ing in polished diamonds, it still lacked the marketing salmon production.

"We have managed to sell Norway's salmon in a controlled way," said Mr Ingo Skulason, Aquastar's managing director, yesterday. He added: "We have stabl-

Norwegians

cut salmon

NORWAY has sold more than

90 per cent of its frozen salmon mountain of 37,500

tonnes on the world market

for about £100m. This is well

above original estimates, according to Aquastar, a whol-ly-owned subsidiary of BP

By the beginning of this

month only about 4,000 tonnes

of Norway's saimon stock

mountain

By Robert Taylor in

lised the world salmon market but maximised the price of it. produced, and thus a state sub-The company has followed a sidy of this amount would be tough trading policy with justified. In the first quarter of stringent [price] monitoring of the salmon where it has been 1992, about 12 per cent of gold Analysts reckon that five

The salmon has been sold to more than 30 countries, mainly in eastern Europe and the Far East. It was not sold in the US and the European Community in order to avoid allegations of dumping.

London aims to lift sugar trade

THE LONDON Futures and Options exchange has hired independent commodities conmitant Laudell Mills Commoditles Studies to look at ways of developing the London sugar

market, Reuter reports.
Mr Phillip Thorpe, the exchange's chief executive, said: "London FOX has commenced a study to assess how the sugar market can develop and expand in the medium to long-term and how it should best respond to changing mar-ket conditions."

Declining raw sugar vol-umes over the past 18 months have been of concern to traders for some time. In an attempt to revive interest, the market switched

from floor- to screen-trading, only to revert to the floor one year later, this January. this year, raw sugar traded only 50,110 lots, compared with 136.313 lots in January to April 1991 and 426,463 lots in

the corresponding period of

Brazilian court drops * restraint on tin mine

By Bill Hinchberger In São Paulo

A BRAZILIAN high court suspended on Tuesday a restraining order that was preventing the Ebesa mining group from initiating tin exploration at Bom Futuro, an opencast site in the Amazon state of Rondonia. Ebesa is a seven-company

joint venture headed by Paranapanema, the world's largest tin exporter and Brazil's largest private mining company. Rhesa holds the mining rights to Bom Futuro.

The court order had been issued in response to a suit filed by wildcat miners operating at the site.

Under the terms of Tuesday's decision, these miners will be

forced to abandon their operations.

Mr Samuel A. Hanan, director-vice president of Paranapanema, said the company will demand that clandestine firms leave the area. He said individual wildcatters might be hired to work for Ebesa at the site Some 500-600 employees would SHartin Dicks be needed when the mine was fully operational.

Mr Hanan said that Ebesa would have a small plant in place within 10 days, but he could not predict when the mine would be in full production. Output should not exceed the 8,000-10,000 tonnes a year now extracted by wildcat miners. Those independent miners extracted \$1,500 tonnes between 1987, when operations began, and last year.

Vietnam opens up more oil exploration blocks

VIETNAM has opened up four more oil blocks off its southern coast to exploration by foreign companies, PetroVietnam, the state oil company, said yester-

Mitsubishi of Japan, the Astra Group of Indonesia and British Gas are the latest companies to reach provisional accords in a region which is attracting increasing interest from foreign oil producers, as they seek to replace their reserves. Bidding for the final block was still going on, Petro-Vietnam said.

Lasmo, the independent UK oil producer, announced last week that it had won a joint tender with C. Itoh, the Japa-

same area. That was followed this week by an announcement from British Petroleum and Statoil, the Norwegian stateowned oil company, that they had formally confirmed a production-sharing contract with PetroVietnam for a concession offered in the first licensing

Vietnam has now allocated nine of the 10 blocks south-east of the southern coastal town of Vung Tau to foreign bidders. The blocks were originally to be explored by Vietsovpetro, a Joint venture with the Soviet Union, but were handed back to Vietnamese control a year ago, after Hanoi complained that Moscow lacked the technology to develop them.

Ivory Coast to propose cocoa marketing system

THE IVORY Coast, the world's biggest cocoa exporter, is to present its aid donors this week with a proposal for a cocoa crop marketing system, said Mr Michal Manceau, managing director of EC-sponsored association Aproma, Reuter reports from Paris.

Mr Manceau was talking after a visit to see how the country was implementing a reform of its cocoa marketing prompted by ald donors.

The liberalisation of its domestic network worked well," he said. "What has to be will put forward its anticipated sales and ensure a permanent presence on the market. The amounts will not be discussed.

only the method." The country's donors consider that the Ivory Coast's withdrawai from the world market, as well as its return. have had a negative impact on world cocoa prices, he said.

"Cocoa prices tumbled this year, even though the Caistab (Caisse de Stabilisation, the Ivorian commodities board) has stepped out of the world market," Mr Manceau said.

European traders earlier said the delayed start to Ivory Coast's new crop sales campaign was increasingly weighing on cocoa prices, which are at 161/2-year lows.

the Ivory Coast set up a control system of its own sales define its anticipated sales, and its method for a permanent presence on the market." Mr

SA union wants state to help shrink mines industry

By Philip Gawith in

Johannesburg SOUTH AFRICA'S National Union of Mineworkers has proposed state aid in restructuring the gold mining industry, to assist an orderly scaling down

and to protect jobs. Although the union's initiative is at industry level, it arises from the particular cir-cumstances of the Harmony gold mine, by far the largest of the country's marginal gold mines, where 6,000 workers

The initiative comes against the background of some 130,000 lost jobs in the industry since

EXPORTS OF aluminium from

the former Soviet Union to the

West soured to im tonnes last

year, the European Aluminium

This compares with exports

during the 1980s of between

250,000 and 300,000 tonnes a

year. The huge increase in sup-

ply - and not weak demand -

European industry's problems

over the past 18 months. Mr

He said: "It is obvious that

such a dramatic and sudden

change in the metal flow to the

West was bound to give diges-

tion problems in the industry,

was the main reason for the

were recently laid off.

By David Blackwell in

Association estimates,

EAA, said yesterday.

retrenched or dismissed in the

was unlikely that an Austra-

past year. The NUM, which presented its proposals to Mr George Bartlett, minister of mineral and energy affairs, earlier this week, contends that state policy on not aiding marginal mines is seriously flawed.

It argues that the 1990 Mar-als Committee report into the subject is outdated, because it seriously underestimated the speed and extent to which mines would be forced to scale down operations. The government will respond within the

next two weeks. The NUM, though accepting that all mines must eventually close, believes the state should

influence, the market balance

for aluminium would have

The increase in imports has

led to cuts in European produc-tion. Last year output fell 3.5 per cent to 3.48m tonnes. This

year the EAA estimates Euro-

pean output will fall further to

3.28m tonnes, following cuts in

Total world output in 1991

was up 3.5 per cent to 14.81m

tonnes. The rise followed new

smelter capacity in Canada,

capacity is expected to come on

European consumption con-

tinued to increase in 1991 but

stream this year.

both production and capacity.

been fairly satisfactory."

assist the industry restructur-

"Without this disturbing tonnes. The EAA last year fore-

additional 640,000 tonnes of secretary general of the EAA,

by only 1.7 per cent, to 4.7m. Western World producers".

ing process. It suggests this should take the form of a carefully structured aid programme for marginal mines, to slow down the rate of contraction of the industry and thus benefit workers, suppliers and the

regional economy.

The union proposes the state should seek to maintain employment levels, that underground production should be increased to lengthen mines lives, and that miners should be retrained in other skills. Further, alternative uses of mining assets should be encouraged, and rural areas should get planned assistance.

cast an increase of 4.5 per cent,

expecting much greater offtake

in eastern Germany, which did

not materialise. It now expects

a further 2.5 per cent riso this

year, reflecting increased demand from both the packag-

While the EAA remains opti-

ing and construction sectors.

mistic on world consumption

prospects, forecasting an

annual growth rate of about 3

per cent, it remains concerned

about the low level of world

pointed out that "LME quota-

tions of less than \$1,350 a

tonne are cartainly not suffi-

cient to cover the costs of most

in view of the serious effects of The NUM argues that

short-term relief can be offered to a mine without any net cost to the national exchequer. Although a mine operating at a loss does not pay tax, its operations benefit the exchequer in five ways: employees' income taxes; direct taxes such as VAT; Regional Service Council levies on wages; mining lease taxes and taxes paid by mine suppliers and their

The NUM's calculations for 1990 indicate that the tax generated by a mine making no profit was worth R4,912 (2951.90) per kilogram of gold

grounds for optimism as the

supply-demand balance

admits that, while the associa-

tion hopes to see a reduction in

exports from the former Soviet

Union, "we have to assume

that the level will still be high

the underlying market balance

is fundamentally different from

the early 1980s, when only 80

per cent of the Western alu-

minium industry was working.

• Stocks of aluminium at

Western smelters totalled

3.278m tonnes at the end of

April, compared with 3.291m in

March and 3.363m in April

WORLD COMMODITIES PRICES

(Prices supplied by N M Rothschlid)

337.80-338.20 337.65-338.05 7 Hz 337.85 on fix 337.65

338.50-338.80 337.60-337 90 Loco Ldn Mesa Gold Lending Rates (

p/troy oz

Krugerrand 337.75-338.75 Maple leaf 348.50-349.50 New Sovereign 83.00-84.00

US ets

405.60 409.70 413.85

£ equiv

12 52

100 37 7

Jul 🔤 Jul

Aug Jul

Operang Morning fix Afternoon fix Day's high Day's low

He believes, however, that

by historical standards".

comes more healthy. But he

stockbrokers Davis, Borkum Hare, estimates that closures over the next two years could cause gold production to fall by 5 per cent, to about 570 tonne

was produced at a loss.

mines are in immediate jeop-

Loraine, SA Land and West

Rand Consolidated, with

another five not far behind.

Production coming on stream at some of the richer mines

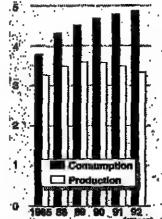
will largely offset any closures.

Mr Dave Giese, analyst at

ardy - Doornfontein, Libanon

Ex-Soviet Union's aluminium exports soar Primary aluminium Million tonnes Mr Flaa believes there are

a year by 1994.



1991, provisional international Primary Aluminium Institute figures show.

MARKET REPORT

COCOA prices dropped to fresh 1612-month lows at the London Futures and Options Exchange yesterday in a continuation of Tuesday's sharp decline. Dealers could find no fundamental reason for the fail. which left the September delivery position £10 down at £539 a tonne, £4 above the day's low. Likewise In the COFFEE market lack of supportive news rather than any notable deterioration in fundamentals was blamed for another sharp fall. The September robustas price closed at \$723 a tonne, down \$11 on the day, "People just get tired and they sell it down to a level where other

London Markets OT MAINETS

Crude oil (per barrel FOS)		+ or -
Dubei	118.70-8.85	125
Brent Blend (daled)	\$20.95-1,10	-0.05
Brent Blend (Jul)	\$20,90-1,00	075
W.T.I (1 pm pat)	\$22.20-2.25y	-0.10
Oli produgu		
(NWE prompt delivery per t	onne CIP)	+ or -
Premium Gasoline	2303-230	3
Gas Oil	\$188-189	
Heavy Fuel Oil Machtha	題上は	-2
Petroleum Argus Estimates	\$197-199	3
	F.	
Cition		+ 01 •
Gold (per troy oz)	\$338.00	+0.05
Silver (per troy oz) 4 Platinum (per troy oz)	406c	+1
Patladium (per troy oz)	\$366.25 \$80.60	+1.1
		H0.25
Copper (US Producer) Lead (US Producer)	107.90c	-0.01
Tin (Kuala Lumpur market)	17.9c	
Tin (Now York)	302.25c	F0.02 F2.75
Zinc (US Prime Western)	62.0c	+213
Cattle (live weight)	109.880	+ 1.80°
Shoop (live weight) 4	83.680	+ 1.34°
Pigs (live weight)†	94,00p	1.50
London daily sugar (raw)	\$252.6t	2
London daily sugar (white)	5293.5t	63
Tate and Lyle export price	E347.0	0.5
Barley (English feed)	Unq	
Marza (US No 3 yellow)	£149.0z	
Wheat (US Dark Northern)	Ling	
Rubber (Jul)♥	52.50p	
Rubber (Aug)♥	52.50p	
Rubber (KL RSS No 1 Jul)	222.0r	
Coconut oil (Philippines)§	\$620.0;	+ 20
Palm Oil (Malaysian)§	\$405y	
Copra (Philippines)§ Soyaboans (US)		-25
Cotton "A" index	£152,5t	F 2.5
Wooltops (64s Super)	61,196 4186	⊦ 0 .6
economic characters of contract	stated. p-pen	co/kg.
e-conta/lb. r-ringgst/kg. t-Ju z-Jun q-May. fMeet Comm	REAL PARTY	W-Apr
LOCKOFICES CHANNO MON 6	wask saa 📶	
priyaisai Yulf Handrash	A Hullion :	markot
close, m-Malaysian const/rg	-Sheep prio	es ere

people are comfortable to hold on to a few longs for a couple of days," one trader said. At the London Metal Exchange the recent declines in NICKEL and **ALUMINIUM** prices were arrested and other contracts closed with modest gains. An upturn in COPPER values guickly ran into resistance at the same

dollar level that marked the end of the previous bounce in the middle of last week. The cash price closed at £1,233.50 a tonne, up £4.50. Market talk of Chinese

SUGA	R = Name	Co PEE	(\$ per tonii
Ram	Close	Previous	High/Low
Aug	228.60	224.00	228.80 221.00
Oct	215.30	214.00	217.80 212.80
Dec	205.00	205.00	203.00 197.00
Marr	208.80	206.00	205.60 206.60
White	Chose	Previous	High/Low
Aug	286.90	288.50	288.50 284.00
201	270.90	269.50	271.90 208.70
Dec	270.00 274.40	269.10	270.50 270.00 274.50 270.00
Oct	274.40	280.00	271.00 210,00
White	1298 (1453) White (FF)) '	s of 50 tonnes. b): Aug 1555.80 O
CRIME	OL - U	-	\$/barr
	Lates	st Previou	us High/Low
Jul	21.00	37.03	21.06 20.75
AUG	20.97		20.07 TO 45
Ship	20.82		E0.45 S0.00
Oct	20.68		20.78 20.55
Nov	20.60		25.61 20.41
Dec IPE inc	20.45 21.08 ×8×		20.45 20.38
	er 22000 p		
0 85 0	AL - IPE		\$/tone
	Close	Previous	Hah/Low
lim.	186.25	187.25	188.50 184.50
Jul	187.25	188.25	107,76 105,00
Aug Sep	189.25	190.00 192.00	189.25 186.75
oep Oet	193.25	184.25	193.25 191.00
Nov	184.78	196.00	195.00 192,75
Jec	196.00	197.50	196.25 194,75
Turnov	er 18696 (*	13241)lots o	of 100 tonnes
100	s its exection		he British Wool

	ous.	from Re	uyers eutera
UQAF	2 Lind	OF PER	(\$ per tonne)
	C(096	Previous	High/Low
DQ.	228,60	224.00	228.60 221.00
ct	216.90	214.00	217.80 212.80
9C	205.00	205.00	203.00 197.00
ML.	208.80	206.00	205.60 206.60
hito	Close	Previous	High/Low
ug.	286,90	288.50	288.50 284.00
CF	270.90	269,50	271.90 266,70
9C	270.00	269.10	270.50 270.00
d.r	274,40		274.50 270.00
at .	274.60	280.00	

COCOA	- 1	W		
	Close	Prenfous	High/Low	
Jul	516	529	527 518	
BIND	539	649	548 5 3 5	
Desc	574	584	683 68 3	
Mar .	604	613	613 599	
Mey	894	635	ND4 622	
lui	644	005	650 643	
Deligo.	884	675	057 003	
		705		
Turocva CCO inc	Jun 8	MM) lots of prices (SDR 865.72 (678.	701 680 I 10 tonues s per tonse), l 77) 10 day eve	
CCO inc price for fer Jun 6	3854 (ficator) Jun 8 884.71	MM) lots of prices (SDR 865.72 (678.	10 tonue. s per tonse). 1 77) 10 day sve	
CCO inc Price for or Jun 6	3854 (ficator) Jun 8 884.71	MH) lots of prices (SDR 865.72 (678. (687.39)	s per tonne), i 77) 10 day sve	Left
ICCO inc	7 3554 (dicator / Jun 8 3 884.71	MH) lots w prices (SDR 865.72 (678. (687.36)	s per tonne). I 177) 10 day sve	Left
CCO inc price for for Jun 6	dicator dun 8 884.71	MM) lots of prices (SDR 665.72 (678. (687.39)	I to tonsues s per tonsue). I 177) 10 day eve \$/t High/Low	Left
CCO incorpios for Jun 6	dicator dun 8 BM.71 - Les	Provious 734 756	to tonsues s per tonne). 177) 10 day eve S/t High/Low 706 694	LEE
Turnoven GCO in price for for Jun 6 COPPE Sep How	7 3554 (ficator / Jun 8 1 584.71	786 773 773 773 773 773 773	I to tonsum s per tonsum. 177) 10 day sve S/t High/Low 705 694 731 720	LEE
CCO inc price for for Jun 6	7 5854 (ficator / Jun 8 1 884.71	Provious 734 756	10 toneum s per tonne), i 77) 10 day sve 5/1 High/Low 706 694 791 720 763 744	LEE

PÖTA	TOES - L	andon (FC)	4	£/tor
	Close	Provious	High/Low	
Apr	88.5	85.8	88.5 86.5	
Turno	rer 93 (106) lots of 20	tonnes.	
DOYA	AL -	Loudon FO	X	£/ton
BOYA	Chron		High/Low	£/ton

Close Previous High/Low

PENTITY - Landon POX

\$70/Index point

Jun	1116	1102	1116 1115
PU .	1041	TO:50	1045 1041
lain.	1222	1210	1225 1222
BP1	1183	1187	
Tumov	er 52 (196	1)	
CRAIN	S - Lone	don FQX	· £/tons
	Close	Previous	High/Low
lijes	1271.00	125.50	125.86 125.26
Nov	114.05	114.35	114,20 114.05
ميرز	117.40	118.15	117.10
	Charles	Previous	High/Low
	107.85	107.90	107.85 107.55
imp Aust			
imp Autr Currence	107.85 114.60	107.90	107 MG 107 AG 114.60 (14.50 - arley 10 (0).
len Turnevi Turnevi	107.85 114.60	107.90 94 (72) , B 100 Tonnes	107 MG 107 AG 114.60 (14.50 - arley 10 (0).
len Turnevi Turnevi	107.85 114.60 sr: Wheat sr lots of	107.90 94 (72) , B 100 Tonnes	114.60 114.50 - ariey 10 (0).
Auri Furnavi Furnavi	107.85 114.60 er: Wheat er lots of	107.90 94 (72) , B 100 Tonnes POX (Ca	114.60 (14.60 - 114.60 - 114.60 (0). ariey 10 (0).
imevi Turnevi Turnevi	107.85 114.69 er: Wheat er lots of London	107.90 94 (72) , B 100 Tonnes POX (Co	107 AB 107 AB 114.50 14.50 14.50 14.50 14.50 14.50 16.50
imp furnawi furnawi	107.85 114.69 er: Wheat er lots of London Closs	107.90 94 (72) , 8 100 Tonnes POX (Co	107 M 107 M 114.60 (14.50 - arley 10 (0). ash Seltiement) p/kj High/Low 119.9 119.8

LOWIDOR	HITAL EX	CHARMON	(Pr	rices supplied	by Ameigemai	ed Metel Treding
	Class	Previous	High/Low	AM Official	Kerp class	Open Interest
Aluminitar	, 99.7% puri	ty (S per tonne)			Total daily fo	mover 56,709 lob
Gash 3 months	1274-75 1300-01	1269-70 1295-96.5	1304.5/1295	1276-79 1304-04,5	1300.6-01.6	159,IIT Ioli
Copper, G	eq 2) A ober	r (onne)			Total daily to	mover 23,597 los
Cesh 3 months	1233-84 1257.5-69	1228.5-28.5	1209-5/1208	1235-38.5 1261.6-62	1257-57.5	105,721 105
eq 2) boad	r (onne)				Total daily t	urnover 4,995 lob
Cash 3 months	296.5-7.5 306-09	298-97 307.5-8.5	298 310/305.6	297.75-98 309-9.5	30e-(III	18,463 1/46
Midwi (I p	er imme)				Total daily t	Urnover 5,496 lots
Cash 3 months	7100-10 7180-86	7090-70 7146-50	7110/7105 7195/7140	7109-10 7175-80	7150-90	14,054 Total
Tin (S per	tonne)				Yotal daily t	urnover 1,482 lob
Cash 3 months	6465-75 6500-10	6460-65 6500-05	6475 8520/6465	6475-80 6507-10	5495-500	9,255 ions
Zinc, Spec	tel High Gre	de (S per tonne)			Total daily i	umover 1,994 lots
Cash 3 months	1440-02 1251-52	1439-41 1251-52	1451/1449.5 1252/1245	1450-50.5 1250-50.6	1245-46	54,631 lots
SPOT LES	ng CIS 1786c 21	3 months: 1,8	075	6 months: 1/7	819	9 months: 1,7820

	Ν¢	W	ork		
	GOLI	100 troy	az.; \$/tray (02	
elent		Ciosa	Previous	High/Low	,
	Jun	337.8	338.3	338.6	207.7
	Jul.	338.7	136	n	0
	Aug	339.8	340.2	340.8	339.5
	Oct Dec	343.5	342_1 344.2	342.0 344.7	341.6 343.6
	Fah	348.1	346.5	346.2	348.0
Vs USS)	Apr	348.4	348.8	0	Q.
3.43	Jun	1190.8	351.2	350.7	350.7
3.57	Aug	353.5	363.9	0 .	0
	PLAT		roy oz. \$/tro	ny az.	
equiv		Close	Previous	High/Low	
	Oct	365.9	363.2	366.0	354.0
	Jan	372.9 371.2	369.7 368.0	372.0 571.2	370.5
	Apr	371.0	367.6	0	ō
	SILVE	FI 5,000 tr	oy oz; cents	/tray az.	
		Cita	Francus	High/Low	
/alent	Jun	405.2	404,1	405.0	404.5
185.00	Jul Silver	405.8	404.8	407.0	405.5
191.00	Aug Seg	407.6 408.9	405.6 407.8	0 410.0	6 408.5
5.75	Dec	413.5	412.5	414.5	412.0
	Jim	415.2	414.2	0	G
² uts	Mar	418.7 422.3	417.7 421.3	420.0 0	419.0
	Jul	426.0	425.0	ŏ	ŏ
Say	Sep	430.3	429.3	0	0
6 36	HIGH	GIVUE C	TOPPER 25,0	00 Pbu; 007	BUT DIS
ios		Cicoe	Printous	High/Low	
-00	Jun	103.25	103.85	103.75	103.20
3	Juli Aug	103.30 103.25	104.00 103.90	104.45	103.25 103.70
12	Sec	103.25	100.50	104.25	103.25
84	Oct	103.20	101.75	104.00	104.00
940	Nov Dec	103.20	103.79 103.65	<i>0</i> 104.00	0 1031,15
6	Aire	102.90	103.35	0	0
20	Feb Mar	102.65	103.05	0	6
48		102.45	102.80	103.20	102.70
Nep	COFF		,500/bs; con		
15 28		Close	Francus	High/Low	
P)	Jed	90.45	61.60	61.70	60.20
(Albert	5≃c Dec	62.35 65.20	63.60 66.56	63.50 66.45	62.15 85,10
AUG	Mar	68.15	59.45	68.90	87.95
36	May	72,35	73.60	73.20	72.20
59	Jul	75.00	75.85	75.25	775.000
	Sop	76,35	77.95	77.20	70.50

			rig önin		1,000	hica	
	Laker	Previous	High/L		501	ANEANS	5 000
74	22.35	22.24	22.37	22.03	===	Clo	_
Aug Sep	22.35 22.24	22.30 32.10	92.35 22.26	22.05 21.54	Jul		_
Oct	22.13	22.07	22.18	21.05	Aug	825/8 829/4	. 6
Nov Dec	22.05 21.95	21.96 21.85	22.08 21.08	21.76 21.65	Sep	834/0	E
American	21.80	21.72	21.80	21.58	- Nov	640/2 647/4	6
Fig.	21.50	21.00	21.50	21.48	Marc	855/4	ě
Mar Apr	21.40 21.32	21.45 21.52	21.40 21,25	21.40	May		
		12,000 US g			- 80Y	ABEAN O	AL 60,
	Letest	Previous	HIQD/L	Ow.	_	Close	_
Jul	6120	6056	6125	5985	- 314	22.05 22.18	. 2
Aug Sap	6170 6270	9110 9221	6175 6275	6040 6160	Sep	22.36	S
Sep Out	6360	6313	6360	6250	Dec	22.48 22.77	. 5
Nov Des	6445 6515	64779	6435 6515	6356 6430	Jan	22.87	. 2
	6535	6489	6535	8440	Mary Mary	23.07 23.27	2
Feb Mgr	6150	6114	6395 6140	6305 0 VUIII	_	ABEAN M	
Apr	8000	5000	8000	8940	801	Com	F
					Jul	184,7	-
coc	DA 10 tons	196;\$/\onne	s ·		Aug	185.2	1
	Close	TOWOOD	High/Lo	TW W	- 540 Oct	204.4	1:
A.I	802	838	826	800	Dec	204.5	2
Sep	848	883	872	845	Mar	205.5	2
Dec	904 966	939 991	930 980	902 953	May	208.5	2
May	1966	1021	992	992	MAZ	Œ 5,000 b	
Jui Sap	1013 1044	1048 1079	1030 1063	1019		Closo	P
Dec	1088	1138	0	0	Jul	263/6	2
					Sup	267/2	2
		M445 4 - 0 - 0			Dec	271/0 278/0	27
HUUA		"IT" 112,0			May	280/4	20
	Close						
_		Pritvigus	High/Lo		Jul	282/6	26
	10.23	10.01	10.27	9.30	Jul Singi Dec	282/6 267/4 264/0	26 26 26
ict Jar	10.23 9.59 9.44	10:01 9:46 9:35	10.27 U.07 9.50		Dec	267/4 264/0	26
Oct Mar May	10.23 9.59 9.44 9.38	10.01 9.46 9.35 9.28	10.27 U.07 9.50 9.44	9.40 9.28 9.22	Dec	267/4	26
act Mar May Jul	10.23 9.59 9.44	10:01 9:46 9:35	10.27 U.07 9.50	9,40 9.28	Dec	267/4 264/0	26 26 U min
act Mar May Jul	10.23 9.59 9.44 9.38 9.30	10.01 9.46 9.35 9.28 9.20	10.27 U.07 9.50 9.44 9.34	9.40 9.25 9.22 9.20	WHE!	267/4 264/0 AT 5.000 b Close 3/3/0	u mir
Oct Mar May luf Oct	10.23 9.59 9.44 9.36 9.30 9.21	10.01 9.46 9.35 9.28 9.20 9.00	10.27 U.07 9.50 9.44 9.34	9.40 9.25 9.22 9.20	WHE!	267/4 264/0 NT 5.000 b Close 3/3/0 377/2	20 20 0 mir Pr 37 37
Oct Mar May luf Oct	10.23 9.59 9.44 9.38 9.30 9.21	10.01 9.46 9.35 9.25 9.20 9.00	10.27 U.67 9.50 9.44 9.34 9.25	9.40 9.28 9.22 9.20 9.21	Jul Sup Des	267/4 264/0 NT 5.000 b Close 3/3/0 3/7/2 384/4 384/2	20 20 27 27 37 38 38
	10.23 9.59 9.44 9.39 9.30 9.21 ON 50.000	10:01 9.46 9.35 9.28 9.20 9.00 ; conta/tos	10.27 ILGT 9.50 9.44 9.34 8.25	9.40 9.28 9.22 9.22 9.21	Jul Sep Des May	267/4 264/0 AT 5.000 b Close 3/3/0 377/2 384/4 384/2 369/4	20 20 20 27 37 38 38 38
Act Mar May Jul Oct	10.23 9.59 9.44 9.30 9.21 ON 50.000 Closs 60.64 62.22	10.01 9.46 9.35 9.28 9.20 9.00 ; conta/ton Previous	10.27 U.67 9.50 9.44 9.34 9.25	9.40 9.28 9.22 9.20 9.21	Jul Sep Des May Jul Sep	267/4 264/0 XT 5.000 b Close 3/3/0 377/2 384/4 384/2 369/4 345/0 353/0	20 20 20 20 37 37 38 38 38 37 34
Act Mar May Jul Det Det	10.23 9.59 9.44 9.36 9.30 9.21 ON 50.000 Class 80.64 82.22 62.02	10.01 9.46 9.35 9.25 9.20 9.00 Previous 51.49 83.49 62.71	10.27 1.67 9.50 9.44 9.34 8.25 High/Lo 61.25 62.95 62.40	9,40 9,28 9,22 9,20 9,21	Jul Sup Dus May Jul Sup Dus Su	267/4 264/0 XT 5.000 b Close 3/3/0 377/2 384/4 384/2 369/4 345/0 353/0 363/0	26 26 27 37 37 38 38 37 34 35 36
Cet Marr Muly Let Det Cet Marr Marr Marr Marr Marr Marr Marr Mar	10.23 9.59 9.44 9.30 9.21 ON 50.000 Closs 60.64 62.22	10.01 9.46 9.35 9.28 9.20 9.00 ; conta/ton Previous	10.27 9.50 9.44 9.34 9.25 High/Lor 61.25 62.95	9,40 9,28 9,22 9,20 9,21	Jul Sup Dus May Jul Sup Dus Su	267/4 264/0 XT 5.000 b Close 3/3/0 377/2 384/4 384/2 369/4 345/0 353/0	20 20 20 37 37 38 38 37 34 35
Cet Marr May Jul Cet Cet Marr May Jul	10.23 9.59 9.44 9.30 9.30 9.21 ON 50.000 Gloss 62.22 62.02 63.70 64.07	10:01 9.46 9.35 9.25 9.20 9.00 Previous 81.49 83.23 82.71 63.75 64.78	10.27 UGT 9.50 9.44 9.34 8.25 Hbgh/Lo 61.25 62.45 63.30 63.70 64.10	9.40 9.28 9.22 9.20 9.21 9.21 \$0.51 62.20 81.86 62.90 63.55 64.05	Jul Sep Des May Jur Sep Dos LIVE (267/4 264/0 XT 5.000 b Close 3/3/0 377/2 384/4 384/2 369/4 345/0 353/0 363/0	20 20 20 27 37 37 38 38 38 35 36
Cet Marr May Jul Cet Cet Marr May Jul	10.23 9.59 9.44 9.30 9.30 9.21 ON 50.000 Class 80.64 62.22 62.02 63.70	10:01 9.46 9.35 9.25 9.20 9.00 Previous 81.49 83.23 62.71 63.75 64.40	10.27 11.67 9.50 9.44 9.34 9.25 61.25 62.95 62.95 63.30 63.70	9,40 9,28 9,22 9,20 9,21 9,21 60,51 62,20 61,86 62,90 63,55	Jul Sep Dec Live (267/4 264/0 XT 5.000 b Close 3/3/0 377/2 384/4 385/4 345/0 353/0 353/0 CATTLE 46 Close 73.225	26 26 27 27 37 37 38 38 38 38 39 30 30 30 30 30 30 30 30 30 30 30 30 30
Cet Marr May July Cet Cet Marr May July Cet	10.23 9.59 9.44 9.38 9.30 9.21 ON 50.000 Close 62.22 62.02 62.00 94.07 92.00	10.01 9.46 9.35 9.25 9.20 9.00 CURTA/Us Provious 81.46 83.23 82.71 64.73 64.73 61.75	10.27 1.67 9.50 9.44 9.34 9.25 Hbgh/Lo 61.25 62.95 62.95 63.30 63.70 64.10 0	9.40 9.40 9.28 9.22 9.20 9.21 \$0.51 60.51 62.90 63.55 64.05 0	Jul Sup Doc Live (267/4 264/0 NT 5.000 b Close 373/0 377/2 384/2 384/2 363/0 363/0 2ATTLE 40 Close 73 225 70 375	20 mir Pr 37 38 38 38 37 35 38 37 37 37 70
Cet Marr May July Cet Cet Marr May July Cet	10.23 9.59 9.44 9.38 9.30 9.21 ON 50.000 Close 62.22 62.02 62.00 94.07 92.00	10.01 9.46 9.25 9.25 9.20 9.00 Contartia Previous 81.49 83.21 63.75 64.76 64.78 15,000 (bs:	10.27 8.50 9.44 9.34 8.25 High/Lo 61.25 52.95 62.40 63.30 63.70 94.10 0	9,40 9,40 9,28 9,22 9,20 9,21 9,21 \$60,51 62,20 81,86 62,90 63,55 64,05 0	Jul Sup Does May Jul Sup Does Live (267/4 264/0 X7 5.000 b Close 373/0 377/2 384/4 384/2 363/0 363/0 363/0 363/0 73.225 70.375 70.100 94.400	26 26 27 27 37 37 38 38 37 34 35 36 27 20 70 70
Cet Marr May July Cet Cet Marr May July Cet	10.23 9.59 9.36 9.36 9.30 9.31 9.31 ON 50.000 Closs 60.64 62.22 63.10 64.07 62.00 64.07 62.00 65.0000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.0000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.0000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.0000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.0000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.0000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.0000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.0000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.0000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.0000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.0000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.0000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.0000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.0000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.0000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.0000 65.0000 65.000 65.000 65.000 65.000 65.000 65.000 65.000 65.	10.01 9.46 9.25 9.25 9.20 9.00 Contartia Previous 81.49 83.21 63.75 64.76 64.78 15,000 (bs:	10.27 8.50 9.50 9.44 9.34 8.25 61.25 62.95 62.95 62.40 63.30 63.70 64.10 0	9,40 9,40 9,28 9,22 9,20 9,21 \$60,51 62,50 61,86 62,90 63,55 64,05 0	Jul Sup Due May Jul Sup Doe LIVE (Due Fob Apr	257/4 284/0 XT 5.000 b Close 373/0 377/2 384/4 385/4 363/0 363/0 363/0 CATTLE 40 Close 73.225 70.375 70.175	26 26 27 27 37 38 38 36 37 34 35 36 27 70 70 68
Oct Mar Aday Just Dect Dect Dect Dect Dect Dect Dect Dec	10.23 9.59 9.44 9.36 9.30 9.21 ON 50.000 Closs 80.64 62.22 62.02 63.70 64.07 62.00 GE JUICE Closs 19.15 19.1	10.01 9.46 9.25 9.25 9.25 9.20 9.00 Centuritis Previous 81.46 63.71 63.75 64.78 81.76 64.78 81.76 64.78 81.76	10.27 1.67 9.50 9.44 9.34 9.34 9.25 61.25 62.25 62.29 63.70 64.10 6 132.90 132.90	9.40 9.28 9.22 9.20 9.21 9.21 \$60.51 62.20 81.86 62.90 63.55 64.05 0	Jul Sup Dus Live (Jun Aug Out Dus Fob	267/4 284/0 Close 373/0 377/2 384/4 384/2 369/2 353/0 353/0 CATTLE 40 Close 73 225 70.375 70.100 59.325 69.325	262 262 273 273 273 273 274 275 270 270 271 271
Oct Mar Aday Just Dect Dect Dect Dect Dect Dect Dect Dec	10.23 9.59 9.44 9.30 9.30 9.21 0N 50.000 Gloss 60.64 62.22 63.10 83.70 64.07 62.00 GE JUICE	10.01 9.46 9.25 9.25 9.20 9.00 Previous 81.49 83.29 15,000 lbs; Previous 15,000 lbs; Previous 133.30 124.50	10.27 B.67 9.50 9.44 9.34 9.34 8.25 61.25 62.40 63.30 63.30 63.40 64.10 61 134.26 134.26	9.40 9.40 9.28 9.22 9.20 9.21 60.51 62.20 61.86 62.90 63.55 64.05 0	Jul Sup Dec Mai May Jul Sup Doc Live Cot Dec Live Cot Dec Live Feb Apr Jun	267/4 284/0 T 5.000 b Close 373/0 384/4 384/2 369/4 345/0 363/0 CATTLE 40 Close 73.225 70.375 70.100 59.400 69.325 70.225 70.225 70.225	26 20 Pr 37 37 38 36 37 34 35 36 70 70 69
Oct Marrial Ma	10.23 9.59 9.36 9.36 9.30 9.21 9.21 ON 50.000 Closs 60.64 62.22 63.70 64.07 62.00 GE JUICE Closs 191.50 123.15	10.01 9.46 9.25 9.25 9.20 9.00 Previous 81.40 63.73 63.75 64.40 64.78 61.76 15,000 lbs; Previous 124.50 116.50 116.50 116.50 116.50 116.50 116.50 116.50	10.27 B.67 9.50 9.44 9.34 9.35 61.25 62.40 63.30 64.10 6 132.90 132.90 134.26 118.15 118.10	9.40 9.28 9.22 9.20 9.21 9.21 \$60.51 62.20 81.86 62.90 63.55 64.05 0	Jul Sup Dec Mai May Jul Sup Doc Live Cot Dec Live Cot Dec Live Feb Apr Jun	26714 284/0 Close 373/0 377/2 384/4 384/4 345/0 353/0 353/0 353/0 353/0 73.225 70.375 70.100 69.325 70.235 68.076	26 20 20 21 21 21 21 21 22 23 24 24 25 26 27 20 20 20 20 20 20 20 20 20 20 20 20 20
Oct Mary Mary Mary Mary Mary Mary Mary Mary	10.23 9.59 9.44 9.30 9.30 9.31 9.31 9.31 0N 50.000 60.64 62.02 63.10 83.70 92.00 GE JUICE Close 121.50 123.15 114.30	10.01 9.46 9.25 9.25 9.25 9.20 9.00 Previous 81.46 83.21 63.75 84.76 94.40 15.000 (bs; Previous 133.30 124.50 115.40 115.40 115.40	10.27 10.87 9.50 9.44 9.34 9.34 9.34 61.25 62.95 62.40 63.30 63.70 63.70 61.25 62.40 63.30 63.70 61.25 62.41 63.30 63.70	9.40 9.28 9.22 9.22 9.21 9.21 60.51 62.20 61.86 62.90 63.65 64.05 0	Jul Sup Dec Mai May Jul Sup Doc Live Cot Dec Live Cot Dec Live Feb Apr Jun	267/4 284/0 T 5.000 b Close 373/0 384/4 384/2 369/4 345/0 363/0 CATTLE 40 Close 73.225 70.375 70.100 59.400 69.325 70.225 70.225 70.225	26 20 20 21 21 21 21 21 22 23 24 24 25 26 27 20 20 20 20 20 20 20 20 20 20 20 20 20
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US FINANCE AND INVESTMENT

Thursday June 11 1992

Corporate America has been undergoing a restructuring of its balance sheet over the past year, swapping the heavy debt burden of the 1980s for equity or fixed income paper with lower rates of interest, writes Martin Dickson

A four-letter word: debt

HE RESTRUCTURING
of Corporate America's
balance sheet — the
most important change in US
financial markets over the past
two years — is continuing
apace as the nation adjusts
from the inancial excesses of
the 1980s

Helped by a stock market boom and falling interest rates, US companies have been rushing to Issue new equity and cut their debt, or refinance their existing borrowings on more havourable terms.

Most have been able to do so in an orderly fashion, yet others facing cash-flow crises have had to seek the protection of the bankruptcy courts for their restructurings. Companies which have filed for Chapter 11 bankruptcy protection since the start of the year include Macy's, the New York-based department store chain, and parts of Olympia & York, the Canadian property group.

Canadian property group.

These trends still have some way to run. The wave of corporate bankruptcies seems past its peak, and should continue to diminish if the US economy sustains its slow recovery from the 1991 recession. But this will doubtless be accompanied by some further high profile disasters. The Olympia & York debacle is a reminder of the extreme tragility of the North American property market.

American property market.

The substitution of equity for debt is also incomplete.

After all, 1991 was only the first time in eight years that US corporations issued more stock than they retired. But the pace of change could slow as the year advances: investors are getting more choosy about the equity they buy and the stock market is looking very

generously valued.

There could be a substantial market correction over the next few months, especially if the trend of interest rates begins to rise consistently, a development which could also

stem the flow of debt issues.
Nevertheless, the net effect of these changes will eventually be a much healthier US business environment, as well as some very fat fees for the Wail Street investment banks and law firms which, cynics note, also reaped handsome rewards advising their clients during the great debt and takeover booms of the 1980s.

Wall Street enjoyed bumper profits in 1991, thanks largely to the flood of new issues, and sustained this through the first quarter of this year.

However, one house was conspicuously absent from the feast Salomon Brothers, which was hit last August by a scandal over its behaviour during auctions of US treasury bonds. That led to a change of the company's top management and a long investigation by the Securities and Exchange Commission which ended last

month in \$290m of fines and restitution for Salomon.

While the SEC investigation continued, many companies were unwilling to give Salomon a mandate to lead-manage share issues, or advise on delicate takeover work, and the firm's profits suffered accordingly. Still, even Salomon recorded its third most profitable quarter in the first three months of this year.

America's commercial banks, while enjoying no such profits bonanza, are at least slowly emerging from the crisis they faced when the US plunged into recession and the property and leveraged buy-out bubbles of the 1980s burst.

The banks have ingested

The banks have ingested large doses of medicine, including heavy bad debt provisions, slashed dividends, the sale of non-essential assets and large cuts in their bloated operating costs. And they have been greatly aided by the Federal Reserve's easing of interest rates, which has allowed them to improve their net interest margin — the difference between what banks pay to borrow funds and what they charge to lend money.

Mr Gerald Corrigan, president of the New York Fed, noted recently that the vast majority of the big US banks' risk-based capital ratios are now well in excess of the minimums set by the Bank for international Settlements, "a result many observers would have regarded as unreachable only a few years ago".

only a few years ago".

But despite tentative signs that some regional banks are becoming more ready to add to their loan portfolios, the banking recovery is likely to remain subdued, because of the severe

lines, which would allow the industry to rationalise its cost structure, although abolition of the long-standing ban on banks entering the securities business still seems far away.

Whatever the politicians'

whatever the politicians' decision on inter-state banking, the industry will continue its consolidation wave in an

investment banking glamour boys of the 1980s, must be very thankful to the banking sector for all these marriages, since takeover activity in general has fallen sharply over the past two years.

The corporate raiders who made much of the running in the 1980s are now largely dis-

☐ The equity market - Wall St scents recovery; Fixed income - taking advantage of cheaper credit Page 2; ☐ The futures industry - a shrinking share of a larger pie Page 3

problems still facing the property sector.

A key question for the banking industry over the next two

A key question for the banking industry over the next two years is whether afforts to reform the US banking system, which largely came to nothing in 1991, will get a second wind following November's presidential election. Bankers are hopeful that Congress might permit branch banking across state attempt to cut costs and improve efficiency. The past year has seen a sharp increase in this trend, with mergers bringing together New York's Chemical Bauk and Manufacturers Hanover, California's BankAmerica and Security are all agree Pacific, and the South's NCNB

Wall Street's mergers and medium-sized, strategic acquiacquisitions experts, the sitions. One source of such

and C&S Sovran.

credited and cannot raise funds readily, while many industrial companies are more concarned to improve the efficiency of their businesses rather than make large acquisitions.

The deals that do go through are all agreed - there has not been a big hostile bid in the US for a year - and tend to be medium-sized, strategic acquisitions. One source of such



Two facets of the US scene: the Federal Reserve Bank of New York and (right) the Chicago Options Exchange (see story, page 3)

deals over the next few years will be the US defence industry, which is in the early stages of a tricky rationalisation in response to declining Pentagon spending on hard-

These trends have meant a withering of the size and prestige of Wall Street's mergers and acquisitions departments, and a concomitant increase in the influence of advisers on debt, equity and other instruments, as well as corporate restructurings.

Total US financing volume reached a record \$596bn in 1991, up 88 per cent on 1990, itself a record year, and the trand continued in the first quarter of this year, with \$216bn of new issues, some 37 per cent of last year's total. Apart from heavy issuance

has also seen continued growth
in asset-backed securities –
instruments which rely on
cash flow from pools of assets,
such as credit card receivables,
to pay investors principal and

For issuers this market provides not only easily available funds — even for those with otherwise problematic credit ratings — but a means of taking assets off the balance sheet and improving capital ratios. It is hardly surprising that banks have been the largest issuers, though the strengthening of their balance sheets was probably the main cause of a first

At the same time, Wall Street is busily trying to bring to the market innovative new debt and equity products,

quarter slowdown in new issu-

cate or reduce risk.

The past year, for example, has seen a resurgence of interest in "hybrid" debt securities which combine conventional borrowing instruments with derivatives such as swaps or

options.

But for all this activity, many analysts doubt that the coming decade can hope to match the extraordinary boom in linancial innovation of the past two.

past two.

As Mr Merton Miller, Nobel prize-winning economist at the Chicago Business School, pointed out recently: "In the avant-pards academic literature of economics and finance today, few signs can be seen of new ideas and concepts like those that bubbled up in the 1960s and 1970s and came to fruition later in specific innovations."



It's a challenge to the competition and a work ethic here at Chemical Banking Corporation.

It pledges: be effective enough to make yourself indispensable to your customer; anticipate trends that benefit your customer; create products and services that are fresh and new. It says don't take relationships for granted, an important credo because we're first on so many fronts: first in primary relationships with U.S. corporations, first in loan syndication worldwide and first in serving middle market companies, for example. At Chemical the raw materials of innovation are capital strength combined with intellectual currency.

A recent equity offering—the largest ever for a U.S. commercial bank—added more than \$1.5 billion to our already strong capital base. And we intend to continue building it.

Intellectual currency is the intelligence, ingentity, drive and

knowledge our people use to meet clients' financial needs.

We use intellectual currency and capital strength to innovate across all markets and all functions. If you are a customer of ours, or if you become one, hold us to our pledge. We'll help you innovate so you can leave your competition in your wake.



INTELLECTUAL CURRENCY. CAPITAL STRENGTH.**

Upsurge in equity issues as Wall Street scents recovery

America has been cashing in on record stock market levels would be an understatement. During 1991, total US equity

issues reached a record \$56bn almost three times the level seen in the previous year. The similar start: total equity issues, including preferred stock, reached \$29bn in the first three months, and the only slightly in the second

This upsurge has been mir rored in the area of "initial public offerings" - that is, companies floating their shares for the first time. IPOs rose to a heady \$18.3bn in 1986, the year before stock markets crashed round the world, but for the next three years, the annual figure barely topped \$6bn. Then in 1991, it spurted upwards, to \$16.3bn. In the first quarter of 1992, it reached

The reason for this flood of new equity is simple. Wall Street has been scenting the economic recovery for well over a year and marking share prices up in advance of the hoped-for earnings improvement. Historic price-earnings

multiples are, therefore, high. Meanwhile, a high propor-tion of companies has balance sheets which are still burdened by debts taken on during the 1980s, when leverage was fashionable and credit easy. The desire to restructure balance sheets is, consequently, wide spread. Although low interest rates have meant that part of this financial overhaul has centred on revised debt arrange ments, the replacement of debt by equity has been another crucial ingredient.

On top of this, certain cycli-

Initial pu	blic offerings
1985	\$8.4bn
1986	T (ALIKE
1987	\$14.5bn
1988	\$0.1bn
1989	\$8.200
1990	\$4.00m
1991	\$16.3bn
end funds	forten ext shoul
Source:	IDD information Services

ſ	Total US	equity issue:
ı	1985	\$24.7bn
- 1	1986	\$43.40m
	1987	\$41.7bn
ı	1988	\$29.8bn
-1	1989	\$23.2bm
-1	1990	\$19.2bn
- 1	1991	\$56.0bm

behind Wall Street's optimism. These would certainly include the airline sector, which has stacked up after-tax losses of \$5bn-plus in the past two years and may well remain in the red in 1992, and the car industry. Here, searing losses have dented corporate liquidity, giving companies another incentive to raise new funds.

The list of major corporations which, for either or both of these reasons, have tapped equity investors is extremely long. Among the most promi-nent has been General Motors, which only last month raised \$2.14bn (before expenses). This was the largest stock offering

In terms of sums raised, nevertheless, it was beaten by the \$2.8bn Time Warner rights issue - where the company's invited to subscribe for new in the US, and Time Warner's first proposal - which incorporated a sliding subscription price depending upon sharescrapped after it was deemed coercive. A conventional fixed price offering was scheduled

That has not been the only investment banking innovation to hit the market in the past 12 months - although some "new products" have been more warmly received. A good deal of publicity, for example, has attached to "Percs" - a type of quasi-equity developed by Morgan Stanley.

Percs - the name stands for preferred equity redemption cumulative stock - are sold at the market price of the common stock, and are mandatorily convertible at the end of three years. They pay a higher dividend than ordinary shares but the amount of capital appreciation which holders can enjoy is capped, usually at 30

In short, for issuers they are less dilutive, although higheryielding, than common stock; for investors, there is a better income flow, but capital gain is gged RJR Nabisco - which has been steadily restructuring its balance sheet since the \$25bn buyout - took advantage of this hybrid in significant fashion, as did General Motors and K Mart.

Flotation candidates still hope to catch the boat before it departs

The IPO market has been driven by broadly similar conleveraged buyouts now returning to the public marketplace. This wave has ebbed somewhat in recent weeks and some issues have been cancelled, with fund managers wailing tus-reading which has been Nevertheless, new potential

flotation candidates are still filing with the Securities and Exchange Commission - perhaps in the hope of catching the boat before it departs. At example, Revion - taken priraider, Mr Ronald Perelman in the 1980s - announced that it subsidiary and would float a

of course, meant bumper underwriting fees for Wall Street firms. According to IDD, they posted a 140 per cent increase in aggregate disclosed underwriting fees last year, after a 40 per cent decline in 1990. Total fees amounted to \$4.66hn, up from only \$1.94bn a year earlier, and just shy of the

Fees from underwriting debt securities rose from \$806.3m to \$1.32bn, but the increase on the equity front was even more marked. Underwriting fees from common stock issues nearly trebled, from \$1.05bn to \$2.85hm. while fees from preferred stock issues increased from \$66.2m to \$489.4m. The first few months of this year indicate that 1992 could be bet-

Nikki Tait looks at the growth in the use of Chapter 11 protection

The vulture investors make money out of bankruptcies

BIDS ARE out; bankruptcies and restructurings are in. That may be a crude oversimplication of the shift in business trends between the 1980s and 1990s, but it carries a large measure of truth.

For the US investment community - from bankers to law-yers - this sea-change has meant a substantial reallocation of resources. M&A departments have been scaled down. while restructuring teams have been built up. Arbitrage activities have been reduced, while "vulture funds" (which invest in distressed securities or bankrutpcy claims) have been either expanded or launched. And so on.

All of which reflects a bankruptcy process which is substantially different from that generally pertaining in the UK. One of the US's more endearing philosophical commitments is to "the right to a new life" – an axiom which dates back to the Pilgrim Fathers, in the narrow context of corporate affairs, US Bankruptcy Code and its

"Chapter 11" process.

Very broadly, this allows a company to file for court protection from its creditors. Assuming the courts agree, the company's assets cannot then be seized; the debtor is allowed to suspend certain interest and debt repayments and to cancel certain contracts; legal suits against the debtor can be pursued only as claims through

the bankruptcy court. Once Chapter 11 protection is operative, the debtor and its creditors - who usually form "committee" to represent often-disparate interests - try plan. This may involve the sale of assets, creating a cash pool which can be used to pay claims, at least in part. But creditors are usually offered some interest in the ongoing business as well.

Reasons for the growth in the usage of Chapter 11 are largely self-evident - the

	companies filing der Chapter 11
1960	5,348
[1961	10,041
1982	18,821
1983	20,252
1984	20,232
1985	23,374
1986	24,740
1987	19,901
1988	17,690
1989	18,281
1990	29,783
1991	23,989
Source	E American Davingery Imman

US companies filing under Chapter 11					
1980	5,348				
1961	10,041				
1982	18,821				
1983	20,752				
1984	20,282				
1985	23,374				
1986	24,740				
1987	19,901				
1988	17.690				
1989	18,281				
1990	22,783				
1961	23,989				
Stores Ameri	Source American Danking or Institute				

recessionary climate and the

often looks attractive to non-US observers. After all, jobs are preserved and, in the most successful cases, creditors have enjoyed substantial recoveries. The downside is the time and money which Chapter 11 can eat up; some cases have dragged on for over half a decade, and fees can consume hundred of millions of dollars from the debtor's estate. LTV, the steel company, is a good to agree on a restructuring example: fees are estimated at

large amounts of debt taken on by many US corporations during the 1980s. To a lesser extent, some companies have found the ability to abrogate contracts useful and others such as Manville - have filed in the face of massive legal

The bankruptcy process

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over \$150m during a stay in bankruptcy which has now dragged into its sixth year. Already, some judges are scrutinising expenses intently

- in turn, making bankruptcy work far less lucrative for the professionals than, say, bid. activity. In the Southmark case, for example, the judge chopped \$8m off a \$54m bill. The potentially litigious Drexel bankruptcy, meanwhile, was hassled along by a ruthless octogenarian, Judge Milton Pollack. As a result, the bankruptcy was completed in two years, a time limit few thought possible when the proceedings

Suggestions over how the Chapter 11 process might be reformed to reduce time and expense vary widely. However, one commonly voiced notion is to shorten the "exclusivity period" - that is, the window when the debtor has the sole right to produce a reorganisation plan. By giving the creditors an entrée earlier in the proceedings, some lawyers argue, months could be clipped

A more controversial "timesaver" is the pre-packaged bankruptcy - used, for example, by Mr Donald Trump with his Taj Mahal casino property. Here, debtors and creditors in effect agree on a restructuring plan before the Chapter 11 filing is made. Chapter 11 is then used to implement the restructuring scheme, and the debtor's stay in bankruptcy is confined to a few months. But it is arguable whether this is how the process was meant to be used.

In some cases, the presence of professional bankruptcy investors can also speed matters along. Since most claims are transferable, "vulture investing" has become a fairly sizeable industry – with players ranging from specialists Mr Michael Price at Mutual Shares and Mr Sam Zell at the Zell/ Chilmark funds, to mainstream fund management group

corporate raider Mr Carl Icahn. Even Goldman Sachs got in on the act, raising its \$783m Water Street fund in 1990, but then aborting the project when conflicts of interest surfaced. Foreign investors have not been hypassed, either: Crédit Lyonnais has backed Apollo Partners, the restructuring business run by Mr Leon Black, formerly an investment banker at Drexel Burnham Lambert. Together, the French bank and Apollo acquired most of the junk holdings of Executive Life, the Californian insurer. The book value of the portfolio was over \$5.3bn By giving creditors a poten-

tial market for their claims, and bringing well-honed nego-tlating skills to the restructuring process, these investors arguably serve a useful purpose. Final labour negotiations in the long-running Wheeling-Pittsburgh bankruptcy, for example, were oiled by Mr Ron LaBow - who had acquired virtually all the bank claims and stood to become the major equity holder under the steel company's reorganisation plan. It is not just vulture inves-

tors who have been making money out of bankruptcies. Another lucrative spin-off business has been the provision of debtor-in-possession financing. DIP loans are new facilities provided to companies once there have filed for bankruptcy protection. These usually rank at the forefront of the creditors' queue for repayment, should the company be forced to liquidate - so security is relatively good. Yet terms are usually attractive to the lender - earning 2 to 4 per cent above a standard business loan, with perhaps 3 per cent upfront as a

Conversely, it is not the cost

Much is left to the discretion of judges, some of whom are more sympathetic to debtors than others

of bankruptcies which provokes criticism. The process leaves much to the discretion of judges, and some are felt to be more sympathetic to a debt-or's position than others. It has been argued, for example, that this explains a number of filings in Delaware, where there is just one bankruptcy court judge, so the debtor knows at the outset who will be assigned to the case.

But perhaps the biggest question-mark hanging over the process is its effect on other healthy companies operating in the same sector. By the same sector. By the serior at the same sector and sindeed, giving it some operating advantages — industrywide distortions can occur. This has been most marked in the airline industry. where bankrupt carriers have undercut hugely, in a desperate attempt to secure cashflow (regardless of profitability). Some relatively sound airlines have been obliged to match this competitive pricing - and the sector generally has faced

the end of last month, for vate by former corporate was packaging most of its cosmetics business into a new minority interest in this to In the insurance sector, the

Equitable, one of the nation's largest life insurers, filed for a stock offering on the same day. This would allow the insurer to shed its mutual status and turn itself into a shareholderowned company, raising sorely-needed capital on the way. If the Equitable scheme is successful, some pundits believe that other ailing insurers may follow mitt.

This wave of new issues has,

record \$5.04bn seen in 1986.

THE FIXED INCOME MARKET

The race to take advantage of cheaper credit

JUNK BONDS

95 127

Irrestment Oracle

\$171.44bn

\$223.58hm

\$495.2 tm

Corporate Debt Issue

falling faster at the short than

the long end) has meant matu-

tended toward the medium

Last year, three-quarters of all new debt was dated

between one and 10 years, and

the spread of maturities has

been much the same so far this

year. With interest rates at the

long end edging higher as eco-nomic activity picks up, this

trend is likely to carry on for

In terms of the type of debt

the rest of the year.

and short end of the range.

Vistua

\$ 2,03br

\$ 3.34br

\$19,27bn \$40,58bn

\$35.79br \$30.1 br

AMID THE lowest domestic interest rates in almost 30 years, refunding has been the dominant financial trend in the US economy over the past rear and a half.

From a micro to a macro level, from individuals with their mortgages to local gov-ernments with their municipal bonds, the race has been on to take advantage of cheaper interest-paying debt, with new, low-interest paying debt. In the corporate fixed-income market, refundings have un at unprecedented levels

for more than a year. Although it is not possible to get exact statistics, industry analysts estimate that 20 per cent of all corporate debt issued in 1991 resulted from companies seeking funds at lower costs than their debt outstanding by calling in their bonds and issuing new, loweryielding paper. And so far this year, at least 25 per cent of all bonds issued by US companies estimated to be linked to debt refinancing

Analysts at the US Securities Industry Association (SIA), have looked at the figures from a broader perspective, by researching the use of proceeds from debt issues. They have calculated that as much as 35 per cent of the new debt issued last year was used to retire outstanding debt, which includes both bonds and other

debt such as bank loans When combined with issues of new debt, refundings have taken total bond issuance to record levels.

In 1991 the total value of corporate bonds underwritten in the US broke through the \$507bn, a 74 per cent increase on 1990. The vast majority of corporate bonds (almost \$300bn) were issued in the form of asset-backed securities (mostly mortgage- and credit card-backed securities), which allow deposit-taking institutions to remove liabilities from their balance sheets and lower their regulatory capital

requirements.
The value of the remaining "pure" corporate bonds, meanwhile, reached a record 208bn, almost a third more

sible at the end of last year, 1991's record pace of growth is being surpassed. Total corporate debt issuance in the first quarter of 1992 jumped from last year's opening threemonthly record of \$135.5bn to

\$190bn, a 40 per cent rise. Excluding asset-backed and junk debt, a total of \$67bn in investment-grade debt was sold in the first quarter of this year. What set off this landslide of new issues was the and biggest, interest rate cut on December 20 last year. In one month - January 1992 -

The majority of new issues has been of investment-grade quality. According to Securi-\$132bn of the \$165bn of corporate issues with a Standard & Poor's rating sold last year came from companies with a five months of this year, just over \$60bn of the \$95bn in S&P rated issues had a A- rating or

investment grade, or junk debt, has languished entirely. Last year \$10bn in new junk debt was issued; in the first quarter of this year alone almost \$7bm has come to the Although these numbers are

well below the \$30bn that was issued at the height of the junk bond era in 1986, there has been a revival in interest among investors seeking Other than the size of issues.

the main difference in the

This landslide of new issues was set off by the Federal Reserve's most recent, and biggest, interest rate cut on December 20 last year. In one month - January 1992 - \$35bn in new investment-grade debt was sold

junk market today compared to the mid-1980s is the type of company selling the paper, and the use the proceeds are being put to. Unlike the industrial giants of the Michael Milken era who leveraged balance sheets to finence acquisitions. today's issuers are smaller. fest growth companies seeking both the buy and sell side, the junk market is a much more

was six years ago. The steepness of the yield

issued, innovation has been rare this past 18 months, pricial climate so positive, and demand so strong, there has been no need for corporates to package their paper in fancy ways to get it sold. With the straight debt market offering

the lowest yields, plain vanilla On the demand side, companies have been able to issue new bonds at record levels tors for corporate paper has been almost insatiable, especurve (caused by interest rates cially in the first quarter of

this year. According to the SIA, institutional net purchases of corporate bonds last year more than doubled to \$1.96bn a day. In the opening three months of this year daily purchases reached a staggering \$3.6bn.

In fact, so strong was the demand early this year from institutions and bond funds that the huge volume of new bonds was absorbed without spreads widening.

The interest rate environment again favoured corporate issuers. Investors unhappy with the 3 to 4 per cent available in CDs, savings and money market accounts went in search of higher yields. For those which stayed away from equities and governments, corporate bonds were the obvious to offer upwards of 8 per cent.

depending on credit quality.
While falling interest rates were a boon to debt-laden and expansion-minded companies, Wall Street's securities house

After almost balf a seconds of seeing its underwriting fees decline each year, Wall Street finally hit the jackpot in 1991. Although the bulk of the total year came from stock under writings, the debt side of the business still brought in a healthy \$1.3bn of fees, up 63 per cent on 1990.

Of the securities houses that manage and underwrite corpo-Sachs, Merrill Lynch and Morgan Stanley have been the higgest powers on Wall Street, along with Salomon Brothers. the bond giant which has been damaged by the fall-out from the Treasury auction scandal but which has benefited from its strong presence in the asset-backed securitisation

The outlook for the corporate fixed-income market is rosy. Interest rates may rise. but it is unlikely (especially in an election year) that they will go much higher, so the growth of interest rate/refundinga decent pacs. The economic recovery, meanwhile, is picking up speed, which means more companies will need extra capital to fund expan-

Patrick Harverson

Property market and bad debt provisions

Deep hole of over-supply

\$147.84bn \$ 84.24bn

\$ 69,11bn

\$ 27.8 bn

change in market prospects. This spring, just when Wall Street investors had convinced themselves it was safe to begin building up their shareholdings in major bank stocks, the world's biggest property developer began filing for bankruptcy protection in Canada

The parlous state of Olympia & York has sent a shiver through the US commercial property market. It has also reminded investors that some of the very US commercial banks that had been deemed to be on the recovery path might still face substantial bad debt provisions and loan write-offs from their property loan port-

In the same week last month that saw Olympia & York place its Canary Wharf project into administration in London, a couple of gloomy analyst reports in New York warned that bankers might yet suffer more pain from the continuing US commercial property

The commercial property team at Salomon Brothers in New York said the stage was set for "a modest, but painful recovery" in the US office market. But noting that the market presently faced a glut of supply equal to 12 years of available office space, Salomon argued that the property market "is so deep in the hole of over-supply that it will take many years to

If there were any doubts as to the possible implications of this gloomy outlook, Standard & Poor's, the US credit rating agency, spelt out the bad news. Calling the Olympia & York bankruptcy filings "a vivid confirmation" that property markets had not truly begun to recover or stabilise, S&P warned that the problem loan work-out period would be protracted and that the losses for banks would "have a long tail, reaching substantially higher levels than they have to

Ms Tanya Azarchs, the S&P banking analyst, declared that bad debt provisions as of late

Andrew transferrence and the second s

"Figures have been restated to show combined data for Chemical Bank and HankAmerica and Security Pacific have not stated pro-forms 1991 results. Th Pigures have been restated to show combined data for both NCNS and C&S cover expected losses on property loan portfolios at many banks in the US. She added that while additional reserve requirements generally appeared to be manageable, the overhang of losses would continue to be a significant

Total

\$216,9bn

135,9br

\$110.360

\$103.5bn

drain on banking sector earnings over the next few years. This situation, explained, would probably delay ratings increases for many in the banking industry. That, in turn, could hamper the ability of some US banks to raise cash by way of new securities offerings, especially if such lower-rated banks were competing on the world capital markets against higher-rated foreign hanks such as Deutsche Bank, the German power-

The S&P analysis was termed over-pessimistic by some, but it came less than three months after the top executives at Citicorp, Chemical and Chase Manhattan all said they expected their 1992 bad debt provisions to be at about the same levels as last year, mainly because of the depressed US commercial prop-By the middle of April, as a

number of banks reported a recovery in first quarter earnings, market sentiment became somewhat more bullish again. After all, the Federal Reserve had acted to lower interest rates and to ease the reserve requirements in order to help banks strengthen capital

But the message from the property, market in recent tion could deteriorate again,

Mr George Salem, a banking analyst at Prudential Securities, recently recommended that investors sell their stock in BankAmerica, Wells Fargo, Citicorp and First Chicago; in each case Mr Salem's concerns about commercial property loan losses was a motivating

THE LEADING US BANKS

\$6,16bn

52.8 bn

Mr David Shulman, a managing director of Salomon Brothers, went even further than Standard & Poor's: "I don't think the reserves for non-performing commercial at many banks. I think eventual write-offs at some institutions could range between 30 and 50 per cent of the outstandings."

Yet investors on the New York Stock Exchange have. been returning to bank shares at a consistent pace in recent months, assuming the worst is over and buying stock at reduced prices. But Mr Shul-man says: "The stock market is viewing the property issue as last year's problem. I think the stock market has got it wrong."

Commercial property loan exposure is the single most portant issue that could influence the earnings and stock market performances of US banks. And there are a series of other factors that will be watched closely in coming

Congress failed last year to approve bank reform legislation that would allow interstate branching, a move that could help reduce administrative overheads and other costs But few expect such legislation to come up for consideration.

dential election. The infamous "credit crunch" - the period over the

bankers have been accused of refusing to make many new loans to commerce and industry - seems to be over. But loan demand remains extremely weak in many parts of the US. Healthy demand for loans may not return until much later in the economic recovery cycle.

past 18 months during which

Mergers between sizeable institutions got under way in earnest last year, with three big combinations - Bank-America and Security Pacific. Manufacturers Hanover Trust and Chemical Bank and NCNB and C & S/Sovran - helping to consolidate the industry.

This year has seen a rash of smaller deals, including two \$1bn takeovers by regional banks such as Banc One of Ohio and Barnett of Florida. But the industry still needs more mergers if it is to continue to rationalise across the national market.

Capital ratios, which were criticised by regulators two years ago as being inadequate at many banks, are being strengthened, with some exceptions. But more big property loan write-offs could affect the speed with which banks carry on bolatering their capital

Looking ahead, it appears that the US commercial banking industry may slog through a problematic 1992. The worst of the industry's crisis may well be over, but there is still the prospect of unpleasant sur-

Alan Friedman

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HE US futures industry, once a

magical beanstock of growth and a

honey-pot for risk-craving traders,

is facing a far less dazzlingly profitable

Fast-paced growth is now the province

of newer, overseas exchanges. And as US

over in the US. Simply winning returns

better than the Standard & Poor's 500 is

But, if it has lost a bit of its rude gleam,

the US industry has benefited at the same

time. It has made progress in shedding its

poor image as a crap shoot and

establishing futures as a legitimate part of

Moreover, it still has a number of

virtually every large investor's portfolio.

innovative tricks up its sleeve. For

instance, Chicago, with the world's two

largest exchanges, the Chicago Board of Trade and the Chicago Mercantile

Exchange, has been home to the greatest

innovations in the industry - the creation

of financial contracts based on US

government bonds (the most actively

traded futures in the world), stock indices

and currencies - and remains the best

regarded as success these days.

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US FINANCE AND INVESTMENT

Barbara Durr looks at the prospects for the country's futures industry

A shrinking share of a larger pie

futures markets have become larger and more liquid and competition has increased laboratory for new concepts in futures. for client business, the bid-ask spreads This year, for example, the CBOT is that make trader's profits have slimmed launching insurance futures and hopes to and so have the fees for client start a new pollution permits contract A consensus has grown that the days of Whatever the fate of those contracts, the fat windfalls, turning ex-taxi driver

US is likely to continue to be the centre of traders into overnight millionaires, are futures innovation because "you need big markets to initiate new products," says Mr Jack Wing, chief executive officer of Chicago Corp, a large futures brokerage. Nevertheless, the US futures industry is

> continued to shrink as new foreign exchanges have mushroomed. Although it thoroughly dominated futures trading around the globe a decade ago, it claimed just 53.2 per cent of total volume last year. The American industry as a whole has not enjoyed double digit annual growth since 1987, when trading volume shot up 24.2 per cent. "It's a mature business here and we're not going to see growth like the 1980s," says Mr John Damgard, president

> vexed that its worldwide market share has

of the US Futures Industry Association. According to the FIA's figures, last year for the first time since 1968, America's 11 exchanges suffered a decline in trading.

By comparison, futures trading volume at the Marche a Terme International de France (Matif) grew last year by 32 per cent, at the London International Financial Futures Exchange (Liffe) by 13 per cent and at the Osaka Securities

Exchange by 47 per cent. A renewed upswing of 15 per cent in

share, large US-based futures traders welcome the overseas markets. They are willing to trade anywhere and the new markets offer them more diversity of product and trading environments that are less restrictive than the US.

For the moment, most products on foreign exchanges are not competing head to head with those on US exchanges. They

Just as mutual funds have come to play a major role in the stock markets, managed futures funds, currently holding an estimated \$21bn, are increasingly important in futures markets. Futures have become very much a professionals market, with retail business accounting for only an estimated 3 per cent of trading

trading volume on American exchanges tend to be indigenous, with a firmer local than global market, though an from January to April this year promises to deliver at least single-digit annual internationalisation has already begun to growth again. But the long-term trend of a occur in Europe and could hasten as the Community's integration progresses. smaller piece of a much larger international futures pie, given the Thus, for instance, Liffe has contracts on proliferation of futures exchanges, is both the Italian and German governments

One remedy to boost volume for the US

exchanges is the advent of round-the-clock trading, which they will pioneer with the electronic system known as Globex. Long-awaited, and with its start postponed successively for three years, Globex is due to be launched on June 25. Developed jointly by the Chicago Mercantile Exchange, the CBOT and Reuters, the system could mean that those contracts it lists will benefit in trading volume from giving off-hour access to traders around the globe.

Chicago exchanges and Matif, Globex's only international parimer exchange, are to be listed. This year, the CME's currency, Eurodollar and one-month Libor contracts and the CBOT's Treasury bond and two-, five- and 10-year treasury notes contracts will be listed, followed by Matif's 10-year Notional bond, seven-year Ecu interest rate, three-month Pibor rate and CAC-40 stock index contracts.

So far, select products from the two

Four New York exchanges have agreed in principle to join the system, though final approval of their affiliation is still bonds and trades the US government bond being worked out. Beyond bringing a rise in volume, the

Globex system is also widely considered a possible harbinger of the industry's likely electronic future. Though many exchanges, even some of the newest, believe firmly in open outcry pit trading as the best, most efficient style, screen trading seems to be exerting a strong undertow on this orthodoxy.

The shape of the markets over this decade will also continue to be deeply affected by the entry of large institutional players. Since the early 1980s, this trend has been gathering steam. Every large Wall Street investment bank and stock brokerage now has a futures arm of some

Just as mutual funds have come to play a major role in the stock markets, managed futures funds, currently holding an estimated \$21bn, are increasingly important in futures markets. Futures have become very much a professionals market, with retail business accounting for only an estimated 3 per cent of trading.

Many in the industry who have come out of the equities business have a strong sense of deja vu. Mr Wing, for example, says: "One is struck by the similarities." This in itself is testimony to how mainstream the futures business has become. One veteran futures hand, pining for the salad days, recently complained that big institutional traders "have gotten a taste of being part of the establishment and now they're a stuffy, co-opted conservative bunch."

Stock exchanges are locked in battle

The competitive edge

A LONDON-based representative of one of the biggest US stock exchanges says that many of the UK and continental companies he visits are amazed to learn that there are competing stock exchanges in

Most countries in Europe and south-east Asia have just one stock exchange, perhaps backed up by a few regional exchanges that service local business communities. In the US, however, competition among exchanges has never been more intense than today.

The New York Stock Exchange (NYSE) and the American Stock Exchange (ASE), headquartered in downtown Manhattan, are the oldest forums for trading equities in the US. Over the decades, they have been supplemented by regional exchanges, such as the Pacific Stock Exchange in

San Francisco. In the last two decades, however, the floor-based exchanges have seen their position under mined. The NYSE has lost large chunks of its market

share in the pest decade. In 1981 pioce than 75 per cent of the trading in all US stocks was handled by the NYSE. By last year, that share had dropped to not much more, than half, with overseas marregional exchanges, the Nasdaq electronic market rum by the National Association of Securities Dealers (NASD), and various off-exchange trading

systems stealing the rest. The NYSE's share has been eroded because the nature of securities trading in the US is changing as technological development and increasing emphasis on cutting transection costs refocuses attitudes

to stock markets. The NYSE's main rival is Nasdaq. Unlike the NYSE, which relies on customer order flow to establish prices, Nasdag is a dealer-driven market where market-makers list prices on computer screens at which they are willing to buy

and sell stocks. Because dealers can trade NYSE-listed stocks on Nasdaq, the NYSE has lost business to the electronic market. Investors (or their brokers) have a choice between trading NYSE stocks on the Big Board with its order-driven pricing mecha-nism and floor-based trading system, or doing business via marketmakers on Nasdaq, which claims to execute trades faster and at a lower cost.

Over the years, a growing

number has chosen the Nasdaq route. In 1961, less than 1 per cent of all trades in NYSE stocks was conducted on Nas daq. Last year, that figure had

jumped to almost 10 per cent. Nasdao is not alone in fighting for NYSE business. Bernard Madoff Investment Securities, a New York-based Nasdaq dealing firm, has used computer technology and trading know-how to build a profitable business persuading broking firms to route their customers buy and sell orders through its

Madoff offers a form of efund to broking firms that direct business its way. In effect, the company pays brokers for any business they bring in.

This way of attracting order

The spreads are likely to be wider, so investors get a worse deal than on floor-based exchanges

flow is used by the regional US

exchanges, Which also compete for NYSE business. The Panific and the Midwest Stock Exchange have also moved from eliminating commissions on order execution to pay brokers to bypass the Big Board. While over-the-counter systems like Nasdaq and Madoff represent what is known as the "third market" (the NYSE and the ASE are the "first market", and the regional exchanges the "second market"), the development of computerised off-exchange trading systems over the past decade has created extra com-

petition - a "fourth market". dispense with dealer intermediaries altogether, providing institutions with an electronic

directly with each other. run by Reuters, POSIT, which is owned by West Coast broking house Jeffries, and Spatrader, that now operates under the name of the Arizona

users to post buy and sell orders on screen, with orders matched and executed electronically by the system's computers at the end of specified

The fourth market systems are popular with investors. They are cheaper for big insti-

tuitions than trading through an NYSE specialist and offer a greater degree of anonymity.

the market condition.)

meanwhile, have been critic-

ised for their lack of speed in

trade execution. Because of the

way the systems are set up,

investors' orders are filled only

if there are similar-sized and

priced orders on the other side

of the transaction, and only

then at one of the various

crossing sessions. If investors

want to react quickly to news,

they have to go back to the

OTC markets or big exchanges. There is a final element of competition — the fight for

listings between the NYSE, the

ASE and Nasdaq. Generally, Nasdaq is known as the mar-

ket for small, fast-growth com-

panies seeking their first quo-

tation. The ASE specialises in mid-capitalisation, solid-

growth stocks, while the NYSE

is seen as the market most

companies aspire to be listed

on when they grow hig enough. That hierarchy, however, is being challenged. Nasdaq has

persuaded some well-known big companies not to upgrade

to the NYSE. Thus, Apple and

Microsoft stick to Nasdao

because of its long association

The ASE is fighting for Nac-

day's turf by offering a listing

for very small companies, an

inculator market known as the

Emerging Companies Market.

The NYSE, which still attracts

the bulk of the big new list-

ings, has focused its attention

on attracting foreign compa-

nies. But its ambitions to be

the first true global exchange

are blocked by strict US reporting regulations which dissuade

many big foreign corporations

Patrick Harverson

from seeking a US listing.

with hi-tech companies.

exchanges.

kets have their flaws, however. They lack liquidity, especially at times of crisis. Complaints were made after the 1987 October crash that some marketmakers on Nasdaq's computer system did not answer telephone calls because they were reluctant to trade in the middle of a chaotic market. (The NASD now says a marketmaker will always be available to automated trading system. trade a stock, no matter what

The fourth market systems forum where they can deal

The best known of these crossing networks are instinct, works, a trading system set up by a former Kidder Peabody

Stock Exchange.
All three allow institutional trading sessions.

A RECENT proposal by the Securities and Exchange Commission, the US securities watchdog agency, to loosen the rules governing the issu-ance of asset-backed securities may prove a welcome boost to the industry in what promises otherwise to be a static year.

While the exchanges themselves are

most hurt by the diminished market

unlikely to be reversed.

Both third and fourth marreceive one of the top two investment grades from a rat-

seried and anto-loan backed bonds are exempt from the nutual fund regulations, but As a result, the spreads junk bonds, backed by more between buy and sell prices on general loans and some forms of credit-card receivables, are third market networks or still subject to the mutual fourth market systems are likely to be wider, which fund rules. The result is a means investors get a worse cumbersome process where deal than on floor-based issuers must apply for an exemption to the mutual fund The crossing networks,

> "Re-offer spreads are at the tightest levels they have ever been"

at about \$50bm.

Mortgage-backed securities, by far the biggest sector of the asset-backed securities business, saw volume nearly triple in the first quarter of this year to \$101bm, thanks to a sharp drop in long-term interest rates which spurred a wave of mortgage-refinancing. Volume, however, is expected to taper off as long-term interest rates pick up. Players expect continued growth in commercial and multi-family deals from the Resolution Trust Corporation and other sources, however, through the year.

In the credit card-backed securities arena, traditionally the most important component of the (non-mortgage) assetbacked securities business, volume slowed in the first

The SEC proposal would exempt issuers of the debt from provisions of the investment Company Act of 1940 which regulates mutual funds in the US, thereby opening the field to a wider range of asset categories so long as they remain within the bounds of structured transmotions and

ing agency.

At present, home mortgagerules for each issue.

The SEC's proposal, which is likely to stimulate volume and broaden the market, comes at time when growth in assetbacked issuances has slowed to a virtual crawl after several boom years. The total amount of asset-backed debt issued, excluding mortgage-backed securities, stood at only 11.23bn in 1985. Between 1989 and 1990 the amount nearly doubled to \$40.08bn, but grew only 17 per cent to \$46,97bn in 1991 and is expected to remain fairly static in the coming year

quarter of this year and the pace is not expected to pick up significantly during 1992.

Karen Zagor examines the role of asset-backed debt

Move to ease securities rules

Mr Jack Ross, director and co-head of Merrill Lynch's Asset Backed Securities group, the biggest on Wall Street followed by First Boston, cites a number of factors behind the

slowdown in supply. Credit card volume is down for three reasons, according to Mr Ross. "Firstly, the banks are faring better and have the equity market available to shore up capital. Secondly, we haven't seen as many credit card asset-backed deals come due this year, so refinancing volume is not great. And thirdly, with the recession portfolios are shrinking rather

than growing, so there are fewer assets to securitise." Indeed, one of the most important factors in the assetbacked market's growth during 1990-01 was the relative illiquidity of US banks, when off-balance sheet financing.

many had trouble meeting capitsi standards and turned to One of the biggest areas of activity in the past year was in auto receivables-backed securi-

Annet-backed debt issues' (\$hn) 1.23 1985 10.00 9.83 1986 1987 1988 1989 15.30 40.08 46.97

ties. In addition, new areas to securitise have also helped shore up volume, such as leases, trade receivables and commercial loans. Mr Ross says: "In the auto sector not only have we seen consumer losus or retail paper securitised, we are now seeing wholesale paper being securitised with a structure similar to

credit card-backed deals." In spite of the fall in credit card business, participants are still enthusiastic, in part because spreads are tightening. "Re-offer spreads are at the tightest levels they have

ever been," says Mr Ross. Merrill recently did a \$500m MBNA credit card deal priced at a spread of 55 basis points over the treasury's five-year note. The issue was able to command an impressive spread partly because of the strength of the MBNA name, since the Delawure-based builtness is one of the top US cred-

In addition, Mr Ross believes investors have been impressed by the ability of credit-card backed portfolios, in general, to withstand increased consumer losses during the recession. "They're not getting the downgrades or early calls so investors are willing to buy at tighter levels," he says.

Also contributing to the tighter spreads is the renewed strength of the corporate market. "Our spreads move in sympathy with the corporate market as we are a corporate

is all the sweeter because of the comparison with a difficult fourth quarter last year, when spreads started to widen amid fears that pending legislation to cap credit card interest rates at 14 per cent would threaten the future of this part of the market. But the proposed legislation came to nothing and some of the major issuers, including Citibank and American Express, have now tiered their portfolios, bringing down the rates for

better horrowers. With the market now maturing, last year asset-backed securities accounted for 25 per cent of the corporate bond market. And while they may not be able to command a similar share of the market this year, they have now become almost as mainstream as general debt or equity financing

in the capital markets arena. "The asset mix may change from year to year," says Mr Boss, "but asset-backed securities have proved themselves as The improvement in spreads a product that is here to stay."

MERGERS AND ACQUISITIONS

Steady stream of smaller deals

TAKEOVER ACTIVITY in the US is sharply lower than in the boom days of the late-1980s, and has changed substantially in character, with relatively few blockbuster deals but a steady stream of much smaller acquisitions and disposals.

In 1991, deals worth \$116.7bn were completed in the US, down sharply from the \$169.4bn of 1990 and the \$263.8bn record reached in

The main reason for the drop is the much less favourable financing climate. Junk bonds, the main weapon used to fund bids in the 1980s, have failen from grace, while the problems of the banking sector mean that borrowing from this quarter to fund takeovers is not very easy.

The corporate raiders financiers backed by junk bonds - who made much of the running during the takeover boom are now largely dis-

credited, while recession has made many corporations concentrate more on the efficient operations than indulge in takeovers.

Some large takeovers are still being done, but they tend to have particular characteris-

☐ They are agreed, rather than unfriendly. There has not been a large hostile bid in the US for almost a year. ☐ They tend to be within a sector, rather than across sectoral

US Margers and Acquisitions			
Year	Deals completed	(Son)	
1985 1986 1987 1988 1989 1990	1,859 2,345 2,307 2,752 3,460 4,040	143.55 209.31 181.76 263.78 256.86 169.39 115.74	

industrial logic. They are particularly concentrated in three running of their existing sectors going through major restructuring - banking, defence and telecommunications. They tend to involve more equity, relative to debt, than

deals done in the 1980s, and many of them involve pure swaps of shares in one company for those of another. A recent example is the proposed takeover of Centel, a large Chicago-based local telecommunications company by Sprint, a long-distance carrier, which involves a highly controversial share exchange pitched well below what many analysts think the company is worth. The bid activity is largely domestic. It involves relatively few large US bids for foreign companies and only the occasional foreign bid in the US. British, French and Japanese companies were extremely active in the US takeover

the French remained so right up until last year. But now this has slowed to a trickle as their domestic economies have turned down and, in the case of Japan, as they have seen many disappointing results from acquired US operations.

However, there remains a reasonably lively takeover market in relatively small companies - both within the US and across national boundaries. While the value of US deals dropped 31 per cent last year, the number fell by only 19 per cent and at 3,268 was well above the 2,752 recorded in 1988, when the value of bids

Many companies, moreover, now seem more interested in entering joint ventures, or acquiring a minority stake in a business, than taking on the risks of a full bid straight

Martin Dickson

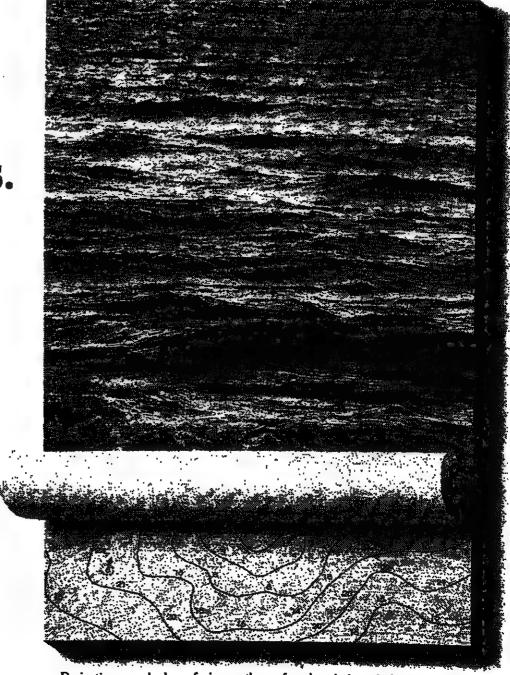


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Exploring the uses of derivatives should be satisfying, not mystifying.

Derivatives don't make risk disappear, but they do make it possible to exchange a risk you'd rather not take for one you're more willing to accept. Options, swaps, and other derivatives are simple in essence, but since they're so versatile, evaluating their various uses can be complex. That's especially true with newer derivatives linked to commodity and equity indices. But it's not our style to magnify complexity. Our success has always been based on helping clients think through every situation fully and clearly. Then we draw on the technical resources of our global network to design the specific tactic that fits your

particular strategy. By taking the mystery out of derivatives, we make it easier to take advantage of these important financial tools. It's a key reason we've become a global leader in the full range of risk management products.



Derivatives may look confusing on the surface, but their underlying logic is compelling and clear. At J.P. Morgan we present all the alternatives to help out clients choose the course that's best for them.

JPMorgan

LONDON STOCK EXCHANGE

Early advance fades in later trading

By Terry Byland, UK Stock Market Editor

THE MOOD brightened in the UK stock market yesterday morning, but it was soon clear that this was little more than a technical response from an oversold equity sector. The lead, yet again, came from the stock index futures and from a handful of corporate results, but increased market turnover reflected activity in only a very

London opened lower in the face of Wall Street's weakness overnight but was rescued by a firm opening in the June future on the FT-SE Index. An early loss of more than eight points in the Footsie was quickly converted into a gain of 11.6, with the Index only

three points under the 2,650 testing level at mid-session. Sentiment was also helped by unexpectedly excellent figures from Racal Electronics. which traded very heavily

after exceeding the forecasts given at the time of the defence against the bld from Williams Holdings.
Traders stressed that much of the initial recovery reflected the heavily oversold positions detected in the previous session. Once these positions had

share prices struggled to hold their initial levels. The market lost heart in the second half of the day and was additionally discouraged by a slow start to the new session on Wall Street, which is still a

been resolved, often by way of

the stock index futures market,

Account	t Dealing	Dates
Tirst Dealings: Jun 1	Jun 15	Jun 29
June 11	Jun 25	26.4
Jun 12	Jun 26	Jul 10
Account Days	Jul 6	Jul 20
Topote and	D 007 140	-

cause for discomfort in Lon-

At the close, the FT-SE Index was only 0.7 higher on the day at 2,636.1, with the 2,650 level still out of reach and the 2,600 mark uncomfortably close. Seaq-reported turnover remained high, although the day's total of 472.5m shares compared with 488.3m in the previous session. Political factors continued to

loom over the UK stock market, with the dangers of further developments on the Maastricht front high on the list of causes for anxiety. Analysts remain relatively confident over the medium term outlook for equities in London but are nervous over the immediate future.

Among banking stocks, Midland edged higher after the London market's success in pre-empting the overnight fall in shares of Hongkong and Shanghai Banking in far eastern securities markets. Lloyds Bank closed a shade easier as investors continued to assess the situation in the light of the bank's withdrawal from the battle for control of Midland. Other banking stocks lacked buyers, reflecting the reduction of bid tensions in the sec-

With the pound still showing little recovery within the ERM range, and the dollar steady, the international blue chips turned in a mixed performance. Oil shares could make little progress against the backcloth of a weak US market, and the pharmaceuticals also lacked thrust.

 The London Stock Exchange announced yesterday that, following the quarterly review of components of the FT-SE 100 Share Index. Carlton Communications, Royal Insurance, and Granada Group will join the Footsie list, with effect from June 22, while Laporte, Eurotunnel and MRPC will will leave the Index

	E	NAN	CIAL	TIME	S ST	OCK	INDICES		
	10 10	June	June	June	Jima	Veat Ago	1992 High Low	Since Co High	mpilation Low
Government Secs	88.63	88.60	88.70	88.46	88.90	83.93	89.62 86.11 (29/5) (1/4)	127.40 (9/1/35)	49,18 (3/1/75)
Fixed liquewel	104.49	104.53	104.63	105.07	105.01	92.94	105.92 97.15 (2/6) (2/1)	105.92 (2/8/92)	50.53 (3/1/75)
Ordinary Share	2067.3	2056.6	2057.3	2077.4	2092.6	1991.1	2149.7 1851,4 (22/5) (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	103.6	104.7	105.5	204.9	107.3	209.1	189.6 103.6 (10/1) (10/6)	734.7 (15/2/83)	43.5 (26/10/71)
PT-SE 100 Ohere	2636. T	2635.4	2645.0	2668.5	2681.9	2842.8	2737.8 2322.7 (11/5) (3/4)	2737.8 (11/5/92)	988.9 (23/7/84)
FT-SE Euratyack 200	1218.14	1218.45	1222,989	1228.02	1231.36	1190.90	1248.79 1120.52 (11/5) (3/1)	1248.79 (11/5/92)	938.62 (16/1/91)
● Ord. Div. Yield ● Earning Yid %(full) ● P/E Ratio(Net)(☆)	4.60 6.59 18.99	6.60 18.97	6.58 19.01	4.46 6.52 19.19	4.42 6,47 19.34	4,79 8,48 14,55	Barris 100 Govt. Stes 15/1 1/7/35, Bold mirror, 12/9/5 & FT-SE Environment 200 35	5. Basis 1000 FT	SE 100 31/12/83
SEAQ Bargns 5.00pm Equity Turnover(Em)† Equity Bargains† Shares Traded (mi)†	22,158	22,902 1010.5 24,641 384.9	22,545 772.6 26,367 297.9	24,699 1178.5 27,135 452.8	21,177 1078.1 24,265 447.5	25,992 1272.60 26,436 451.3	CILT EDO	ED AC	
Ordinary Share Index,		anges I	Day's High	2066.0	Day's	Low 2050.	_ bargains	97.	1 94.3
	58.2 206				m 3 p			age 99.:	3 97.8
	am 11 a 39.9 264	am 12		m 2 p	m 3 p	n 4 pm 8.5 2635	tExcluding in	ntra-marke	
Open 1217.39 1218.51	TT Am 1221.01	12	om T	221.95 1 pm 220.58	Day's 1 2 pm 1220.40	3 pm 1218.22	Tel. 0891 12300)1. Calls cha	arged at 36p/

Racal strong on results

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LONG-STANDING worries that Racal Electronics would not reach the profits forecast of £50m. made at the time of the failed bid by Williams Holdings, were shot to pieces as the group posted profits of £55.6m, compared with a previous

year's loss of £21.8m. The profits were well in excess of the most optimistic forecasts which ranged up to £52m and were accompanied by the expected details of the demerger of the Chubb security business, likely to be floated in October.

Racel shares powered ahead in exceptionally heavy trading, eventually closing a net 5% higher at 69%p. Turnover reached 57m shares, continuing the recent spate of big turnover in the stock.

Smith New Court, Recal's broker, upped its expectation for this year to £110m and for next year to 2140m.

Regalian blow

Results from Regalian Properties were regarded as a hor-ror story by the market, with one analyst at a leading investment bank calling the figures breathtakingly bad. He added that the subsequent meeting with management was 'quite aggressive" and that although the company still has some worth, it will have to raise as much cash as possible in the next 12 months to placate its creditors. On Monday its 10 per cent stake in Frog-more Estates at a loss of around £4m, in order to raise £10.57m and reduce borrow-

ings.
Shares in Regalian lost 7 to 15p after the company reported an annual loss of £26.8m, against a profit of £11.12m, with the auditors qualifying the accounts on the basis that further property provisions may be needed. The company has already made an excep-tional provision of £32.91m on property losses, which was much higher than most expec-

Frogmore showed signs of recovery, after Regalian's 3.9m share placing on Monday, rising 13 to 281p.

Asda active

Turnover in food group Asda was a hefty 10m shares, but the price was unchanged at 33 kp. Activity was boosted by encouraging news from furni-ture retailer MFL, which will unveil plans today to re-launch the company via a stock market flotation. Asda retained 25 per cent of

MFI when the company was acquired from the combined

NEW HIGHS AND LOWS FOR 1992

MEW HIGHS (48).
ODITION CHAINS MY Trees 200 IL 34.
BREWERS (1) Manafield, BUSINESS SERVS (3) Penna, Reed Executive, Warner Howard,
COMOLOMENATES (1) INTUNO, CONTA
a construct (3) Ball (AH), Book (11),
Overland III ECTRICALS ITS ENGRICA-
ELECTRONICS (3) Admirel, Gresham Telecomputing, Recel, ENG AERO (1) Dowly,
ENG CENT ON HIS & SOUTH, PASSING, YOURS,
CAN MANUAL MA BANKAT, COOKSINAII PRIVIDE
ing, pusce Life (3) Britannio, Rokuge, Utd Friendly B, RRV TRUSTS (2) Grahems Plintoul,
Thronomouth (IRM MEURA (I) ASSES PRING
Datas Brook Class Scientifica, MUTUTO (1)
Quicks, OTHER PINCZ. (1) Jerdine Strategic, PACKG, PAPER & PRINTG (1) Usher-Walker,
STORES (1) Orlinge Int., TEXTS (1)
Poleston TRIUSPINI DI BAN.
Revenancious, P & O 51200 PM, WATER
(1) Mid Kent, MBRES (1) IDERFIDE.
NEW LOWS (SS). OTHER FORD INTEREST (1) Ireland Cap
seach Morrie (English), Communication and Section
BANGES (2) Mitsul T & B, Westpac, SLOG MATLE (1) Explaure, CHEMS (1) Scheriot.
WIT DOUBLES THESE TANKS IN THE CONTRACT OF THE
Corp. Huntingdon, Wellcome, MSCE COMPOSITE (4) Bailica, Hafnia, Skandia,
Overseas, Solective Americ, Sphere, MENA (2) Sunset & Vine, Tribon, MISC (2) Rullers.
OTHER PRICE IN SERVICE OR AND CONTRACT
PROP (4) Bolton, Chasterfield, Frogmore Ests, Regelien, STORES (4) Audit Reed,
Ocean, MANES (8) Central Pacific, ERIGO, Ivernia West, Kelis Mins, PesGold, Precious
Melale Australia, Southwast, Western Areas.
WORRY WIRESTER PORTINENT MANNEY

group though a management buy-out in 1987. It is estimated that the flotation will raise between £650m and £850m, but that Asda will not be a long-term shareholder in MFI because of its need to reduce borrowings.

Lasmo wanted

Lasmo outperformed the rest of an otherwise subdued oil sector, responding to a series of positive news.

These included shareholder approval at Lasmo's EGM of the sale of Ultramar assets, encouraging news from the group's drilling operations on Block 16/12a in the North Sea and news that Lasmo shares will be listed on the Montreal and Toronto Stock Exchanges as from June 11.

The shares shares ended the session a net 3 firmer at 1970 on turnover of 826,000. They were also helped by a positive note from Hoars Govett, the company's stockbroker. Hoare, which increased its oil price estimate from \$18 to \$20 a barrel earlier this week, said the market's current rating for Lasmo is "unduly pessimistic and does not take into account its gearing to higher oil prices". Houre goes on to say that the market ignores the upside potential that could be realised from the rationalisation and integration of Ultra-

mar's upstream assets. Standard Chartered, 11 higher at 471p, and Royal Bank

197%p were prominent in an otherwise quiet banking arena, the former responding to hopes that no further provisons will need to be made against its Indian operations and the latter to lingering takeover specu-

First National Finance shares plunged 11 to 64p, responding to publicity given to a bearish note issued by

London & Manchester's shift in accounting policy triggeredanother strong rise by life stocks. Refuge were 23 higher at 728p; the Stock Exchange announced late yesterday that a reported trade of 5.5m shares carried out at 705p, printed on the Seaq ticker on Tuesday, was incorrect and should have read as 5,500 shares.

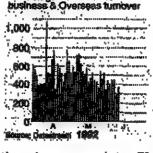
A flurry of switching out of BP and into British Gas left the former 11/2 off at 273p and the latter the same amount firmer at 252p. Turnover in BP was showing signs of expanding sharply after Moody's, the US debt rating agency confirmed, it had downgraded its rating of BP debt. Shares in Dowty Group,

moved swiftly forward after the aerospace and information technology company finally succumbed to the hostile bid from specialist engineering group TL The shares jumped 12 to close at 187p, the level of the

paper offer from TI as turnover rose to a hefty 6.4m after several investors took the view of Scotland, 3% firmer at that buying Dowty was



Equity Shares Traded Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



the cheap way into TI. It was announced after the market close that the aggressor had obtained a total of 60.23 per cent acceptances, a closer finish to the contest than many city analysts had predicted. Last week SG Warburg swept into the market to pick up around 10 per cent of Dowty's shares.

The new group will be the second largest engineering concern in the market, behind British Aerospace and is likely to become a FT-SE constituent

in the near future. TI edged a penny forward to 353p.

Sears was the worst performing Footsie stock, losing 5% to 86p, as 8.8m shares changed hands. Suggestions that UBS Phillips and Drew had trimmed its dividend and profits forecost hit the price, with stores analysts noting increased doubts about the maintenance of the dividend since publication of Sears results on May 7.

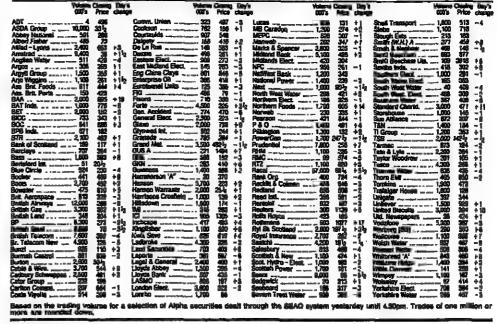
Northern Foods fulfilled the markets hopes, turning in slightly better than expected profits of £126.2m, against £105.4m previously. Mr Tim Potter at Smith New Court described it as a good, if well anticipated, performance, with the proposal of a one-for-one scrip issue as an additional

The shares rose 14 to 605p on above average turnover of 1.7m shares:

In transports, a squeeze sent BAA forward to add 19 to 695p. Broker Williams de Bros favours the stock and Mr Andy Darke at the broker said: "The stock is still cheap relative to the market. This is the core holding in the transport sector." Fears of tougher competition on the north Atlantic route left British Airways 8 lighter at 289p.

MARKET REPORTERS: Stave Thompson Joel Kibazo, Collin Millham.

Other market statistics,



TRADING VOLUME IN MAJOR STOCKS

EQUITY FUTURES AND OPTIONS TRADING

BEAR closing and buying mainly by US houses pulled stock index futures out of the the poor opening on Wall doldrums and helped underpin trading in the underlying cash market writes Joel Kibazo.

The June contract on the FT-SE opened firmly around moved forward, helped by bear closing and demand from US houses, reaching the day's peak of 2,656 by mid morning. After a period of sideways

Street led to increased selling of June causing a further retreat, though a squeeze towards the end saw the contract recover some ground.

In contrast to the first two days of this week, the contract spent most of the session at a premium to fair value. Dealers once again pointed to the increased activity in Septemtrading, June drifted lower ber delivery in which

over 2,000 lots were dealt. June closed at 2,649, up 11 on the previous session and around 7 points above its estimated fair value premium to cash of about 7. Turnover reached 7.257 lots.

Traded options remained dull with turnover reaching 27.914 contracts. FT-SE option volume at 7,876 was also poor. British Airways was the busiest stock option with 1,656 lots dealt. This was followed by Lasmo at 1,509 contracts.

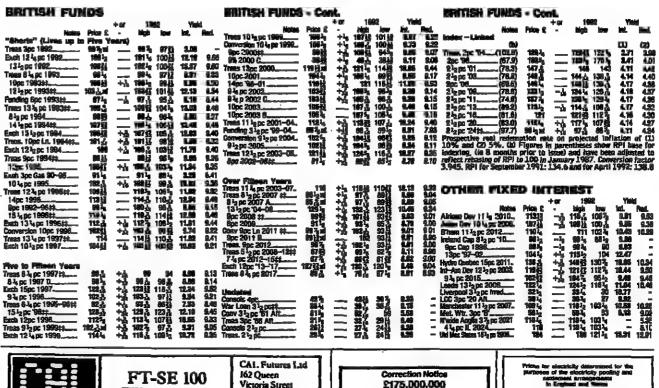
FT-ACTUARIES SHARE INDICES

O The Financial Times Ltd 1992. Compiled by the Financial Times Ltd. in conjunction with the institute of Actuaries and the Pecuity of Actuaries

	EQUITY GROUPS	Wednesday June 10 1992				Tue Jun 9	Mica Jua B	Fri Jur 5	(abbuox)		
Fig	A SUA-SECTIONS Notes in parentheses show number of stocks per section	index Mo.	Day's Change	Est. Earnkoss Visto % (Max.)	Groni Div. Yield% UACL at (25%)	P/E P/E Retio (Net)	nd adj. 1992 to date	Index No.	Mo.	Index No.	lintex No.
1	CAPITAL 60025 (179)			6.74	5.34	19,35	15.19	873.38	877.86	885,46	
2	Building Materials (22)	. 998.31	-0.5	5.44	5.96	25.54	19.03			1014.27	
3	Contracting, Construction (28) Electricals (8)	948.99	-0.6	3.75	6.36 5.82	56.57	24.60 68.82	954.71 2642.94	969.54 2658.89		1298.45
. 2	Electricals (8)	2650.48	+1.0	6.50 8.98	1.26	19.98 14.11	7.29		1986.17		1735,37
5	Electronics (29)	1999.83	+0.9	9.09	6.79	14.02	11.16	378.90		383.87	
7	Engineering-Aerospace (7) Engineering-General (44)	382.27	-0.2	7.60	4.31	16.35	8.24	565.26	557.61	564.12	
8	Metals and Metal Forming (8) ,	348.72	-24	0.B0	9.90	1033	2.03				
2	Motors (14)	175.4R	+0.2	7.07	6.26	18.60	10.04	374.55		384.40	
10	Other Industrial Materials (19)	1704 04	10.2	6.90	4.62	17.46	33.79			1815.63	
21	CONSTINER GROUP (100)	CARMIL	+0.2	7.21	3.41	17.01	20,48		1689.94		
22	Armers and Distillars (24)	2178 92	+0.4	7.70	3.40	15.41	26.23		2178.39		1833.06
25	Food Manufacturing (17)	1285 31	40.5	8.32	4.09	14.89	21.18		1276.74		1168.36
25	Food Retalling (18)	DR BERC	-0.4	8.43	5.15	15,40	34.95	2905.08	2911.54	2916.71	2739.50
27	Health and Household (24)	4056,94	+0.5	6,80	2.61	14.77	35.91	4035.45	4044.64	4082.44	3490.67
29	Hotels and Leisure (20)	1373.07	-0.2	5.76	4,93	22,48	23.50		1376.33		
30	Media (25)	1618.74		6.03	3.45	20.66	18.30		1621.71		1435.25
31	Packaging, Paper & Printing (17)	832,60	+0.2	6.23	3,97	19.52	11.84	R30,60		842.56	
34	Stores (33)	J1065.83	-0.1	7.10	3.47	18.40	12.26		1065.63		
35	Tertiles (10)	722.90	-0.6	6.35	4.30	19.86	12.44	727.53		731.63	
40	OTHER GROUPS (116)	1303.65	E.0-	9.47	5.02	13.20	17.76		1318.42		1236.99
41	Business Services (17)	11446.60	-0.5	5.75	4,40	18.67		1453.16			
42	Chemicals (22)	1534.44	-0.1	6.96	4.76	17.63	31.75		1535.8	1553.37	
43	Conglomerates (11)	1364,19	40.7 40.3	9.47	6.96	13,19	40.52	1354.31	2671.15		1488.55 2218.18
. 44	Transport (14) Electricity (16) Telephone Networks(4)	2002.17	-0.5	7.63	4.40 5.08	9.36	17.21		1327.89		1207.90
45	Telephone Materials (4)	1/311.12	-0.6	56.01	4.56	12.22	14.02				
40	Water(10),,,,,	2024 35	-0.9	15.26	5.03	7.25		2260.11		2900.83	
48	Miscellaneous (22)	2024.22	-0.4	5.71	5.7B	23.13	72.54				
	INDUSTRIAL GROUP (483)	7245 15		7.83	4.28	15.93	18.51				1247.12
	INDUSTRIAL ERVUP (4837	11303'T2									
51	Oil & Gas (17)	2161.93	-0.4	7.01	6.58	18.73	63.69	2170.05	2101.59		
59	500 SHARE IMDEX (500)	1439.59		7.75	4.52	15.18	21.93	1439,85	1446.39		1343.78
61	FINANCIAL EMBIT (86)	767.74	+0.1	-	5.91	-	19.04	766.88	765.00	776.65	793.26
62	Banks (9)	972.93	+0.1	4.96	5.61	31,91	24.58	971.50	975.40		
65	Insurance (Life) (6)		+2.0	-	5.64	-	44.26				
	Insurance (Composite) (7)	542.61	-L2	=	6.41	-	13.46	549.37	540.44		
67	Insurance (Brokers) (10)	1 254.19	10.1	0.14	6.84	16.17	25.92	952.93	957.64		1119.96
68	Merchant Banks (7)	219.80	10.1	0.78	4.20	15.43	8.56 16.55	514.31 667.48	514.26 678.61	515 06 680 14	428.07 939.17
	Property (32)		-1.1	7.02	6.84	19.33	4.34	262.26	263.74	256.36	281.24
_	Other Financial (15)		-0.3		6.72			1217.75	1223.50	1237.03	1214.60
71	Investment Trusts (69)	1213.58	-0.3	-	3.70	- '	16.78				
99	ALL-SHARE INDEX (655)	1278.43			4,66	-	20.88	1278.56	1283.32	IN-II	1210.86
		Haller Mar.	Day's Change	Duly's Hinds Call	Day's Lum (b)	Jan 9	Jun B	Jan A	Jur 4	Jun 3	Yes
-	FT-SE 100 SHARE INDEX4	2636.1		200				2668 5	2681_9	2690 0	
	Li-60 tra diver tures	2000.1	10,7		- EUE/,11	200.4		التعلي		2000.7	LOSE

FIX	FIXED INTEREST					AVERAGE GROSS REDEMPTION YIELDS		Tue Jun 9	Yea ago (appro	
PRICE INDICES	Weil Jun 10	Day's change %	Tue Jun 9	Accrued Interest		120	7,000	8.12 8.98 8.99	8.14 9.00 9.00	8.9 10.3
British Government						4	Medium 5 years	9.23	9.25	10.
Up to 5 years (25)	123.20	+0.06	123,13	2,70	4.85	2	(8%-103,%) 20 years	9.08 9.05	9.09	10. 10.
5-15 years (24).	138.37	+0.14	138.19	2.38	6.12		(8%-104%) 20 years High 5 years	9.44	9.46	10.
Over 15 years (10)	148.40	+0.13	148.21	1.11	6.06	8	Compons 15 years	9.28	9.29	10.
irrolesmables (6).	165.06	+0.02	165.02	1.39	6.35		(11%-) 20 years	9.22	9.23	10.
All stocks (65)	135.99	+0.11	135.85	2.36	5.79	**	kredeematiks	9,22	9,22	10.
Inica Liabet						۱,,	Index-Linked Inflation rate 5% Up to Syrs.	3.98	3.97	4.
Up to 5 years (2).	173.06	4414110110	173,05	0.74	1.83	12	Inflation rate 5% Over 5 yrs.	4.33	4.33	4.
Over 5 years (9)		+0.01	153.32	1.12	1.80	13	Inflation rate 10% Up to 5 yrs.	3.30	3.29	3/
All stocks (11)	154.73	+0.01	154.85	1.06	1.79	_	Inflation rate 10% Over 5 yrs.	4.16	4.16	4.
D&& L(=163).	120.43	-0.19	120.65	2.09	5.48		Bels 5 years 15 years 25 years	10.52 10.35 10.24	10.47 10.32 10.21	11.

4.10 pm 2636.7; (a) 11.07am (b) 8.30am † Fiat yield. Highs and lows record, have dates, values and constituent changes are published in Saturday issues. A list of coordinate them is the publishers. The Financial Times, Number One, Southwark Bridge, London SE1.9HL. The FT-ACTUARIES SHARE (NDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FIMSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.



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LONDON SHARE SERVICE



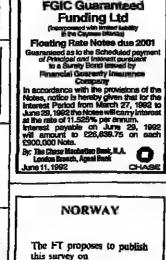
Where next?

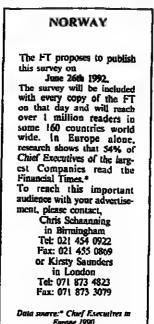
REAL-TIME EUROPEAN AND U.S. STOCK MARKET DATA AND ANALYSIS AT REALISTIC PRICES * ALSO FUTURES * OPTIONS * BONDS * FX AND NEWS * CALL + LONDON 71-329-3377 - FRANKFURT 49-69-639125



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CURRENCIES, MONEY AND CAPITAL MARKETS

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LONDON (LIFFE)

FINANCIAL FUTURES AND OPTIONS

FOREIGN EXCHANGES

D-Mark loses recent gains

THE D-MARK lost more of its recent gains against European currencies yesterday, as the D-Mark to suffer." currencies yesterday, as the foreign exchange market's fears about European Monetary Union (Emu) temporarily

faded away, urites James Blitz. Sterling, the Spanish peseta and the Portuguese escudo regained some of the ground that they had lost to the German currency in the wake of Denmark's rejection of Emu one week ago. Both the Italian lira and the French franc also recovered ground, but by not quite as much as the other

It is unlikely that any of these recoveries marked a sig-nificant shift away from the market's perception that Emu is in serious trouble. Instead, analysts are putting yester-day's D-Mark's losses down to profit-taking. "Nothing has changed as far as the Maas-tricht worries are concerned," said Mr Mark Austin, chief economist at HongKong and Shanghai Banking Corp, in

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Sterling made the best gains of the day, rising % a pfennig to close at DM2.9300. It also ended a little more relaxed in the European Monetary System grid, finishing the day third from bottom. Worries over the Spanish peseta also faded a little as the currency ended the day at Pta62.91 to the D-Mark from a previous close of Pta62.98. The Italian lira was a little stronger at Lira755.8 to the D-Mark from a previous close of 756.4. But it was still at the bottom of the EMS grid and its long term prospects continue to worry the market now that Emu is in

such hig difficulties. The dollar appreciated slightly against the German currency at the start of European trading, and reached a high of around DML6005. But it slid down in the afternoon on the back of soft US housing completion figures. These

dropped 8.5 per cent in April to a seasonally adjusted annual rate of 1.026m.

The market will probably wait for the arrival of today's figures for May producer prices and retail sales before deciding whether to invest further in the US currency. The current forecast is for a rise of 0.3 per cent in the producer prices and a 0.7 per cent rise in May sales after a 0.9 per cent gain in April. Last night, the dollar closed in Europe at DM1.5930 from a previous close of DM1.5900. In late American trading, it was up to DM1.5940.

The Japanese yen was weaker against the D-Mark as the market took a gloomy view of the possible contents of tomorrow's Tankan quarterly business survey, issued by the Bank of Japan. Dealers fear that the survey might be weak enough to persuade the BoJ to weaken policy. The Dended the day at Y80.03 ft previous close of Y80.27.

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MONEY MARKETS

Cash rates firmer

RATES in the sterling cent. The Bank did not operated interbank market were slightly in the market in the afternoon, but issued late assistance of a £750m shortage forecast by the Bank of England.

After several days in which money had been relatively cheap, the short dates in the cash market moved up yester-day. The overnight rate moved between much narrower ranges of 9% and 10% per cent, having hit a low of 8% per cent the previous day, 1-month money moved up to 914 per cent from a previous close of 9% per cent. However, everything from 2-months out ended the day at the same rate of 10 per

Traders said that the firming

UK clearing back base leading rate 18 per cent from May 5, 1992

of shorter-dated rates was due purely to supply and demand factors in the market. After forecasting a £750m shortage, the Bank purchased £11m of bills for resale to the market on 29 June at an interest rate of 9# per cent. The Bank then purchased £387m of Band-1 bank bills at 9% per cent. £143m of Band-2 bank bills at 9% per cent and £25m for resale to the market on 29 June at an interest rate of 91 per cent. The Bank did not operate

Despite these technical factors, the longer-dated rates reflected a bearish view on a possible rate cut. They were unchanged, despite sterling's 'A pfennig rise against the D-Mark on the foreign exchanges yesterday. Traders said that the bearish view still dominates in the cash market on a possible base rate cut.

That was the prevailing view among traders in sterling futures. September short sterling ended up one tick on the day at 90.23. This assumes that 3-month sterling libor in September will be at 9.77 per cent, less than % per cent lower from yesterday's rate.

December short sterling was also only a tick higher at 90.47, implying that 3-month sterling libor at the end of the year will be at 9.53 per cent. In other words, the market is assuming that another 's percent cut in rates this year is unlikely.

German call money rates were quoted unchanged at 9.60-9.65 per cent yesterday after the Bundesbank held rates steady in its weekly tender for securities repurchase funds. The Bundesbank allocated DM38.3bn in a 28-day tender, mostly at 9.65 per cent.

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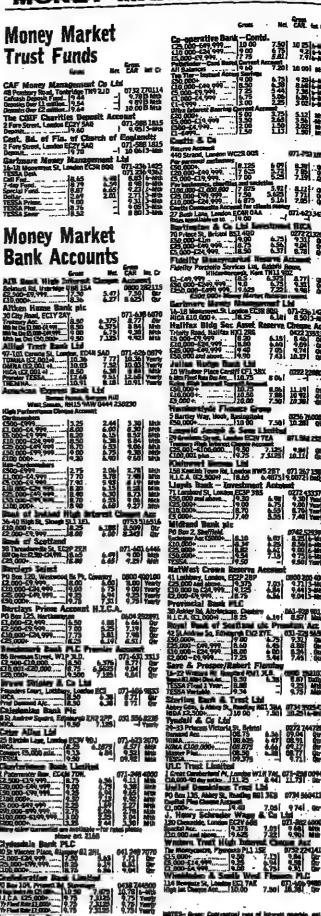
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FINANCIAL TIMES

MONEY MARKET FUNDS



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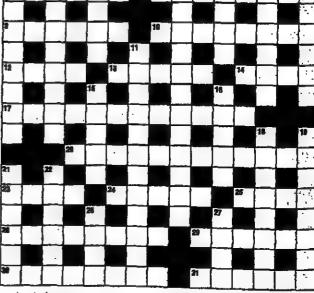
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(4) 13 Sullen doctor loves embracing

youth leader (5) 14 Could be Royal Navy, perhaps (4) 17 Nubile Maria, bare leg swing-

17 Nubite Marka, bare seg swing-ing (12)
20 Collapsing as panel attempts to make jokes (12)
23 Musician's order is to include 23 studies a voter is to menue
duck (4)
24 I go round this Italian city (5)
25 Emperor embracing Queen on
returning (4)
28 Well-known female getting

airmail letters (8)
29 Doctor's after a lettuce plant (6) 30 "Ring round", we'd shouted

(8) 31 Sunburut man selzes girl (6) 1 Irritating drunk tries to ring

me (8)

2 Coach dashed round for list of runners (8)

3 Unable to stomach any more?

5 Awfully dim male actor is

6 Places article on board (4) 7 Trade is bound by standards

wooderful man sighs mysteriously (8)
9 Recollect man leaving here by request (6)
10 Slut's strip and vocal turn (8)
12 When cold ask cook about fire (4)
13 Sullen doctor leaves

empty forry (5)

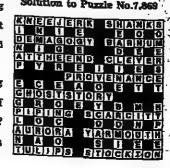
16 Page behind illustration in book (5)

18 People after teams of church workers (8)

19 Adopted journalist takes a

wife (8) When in taxi against loud. chat (6)
22 Stiff from swimming a lake

(6) 28 A lot better singer (4) 27 Roll up a hill (4)



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WORLD STOCK MARKETS

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YORK STOCK EXCHANGE COMPOSITE PRICES

3:00 pm prices June 10 | 1.48 | 2.5 | 2.4 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8

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NYSE COMPOSITE PRICES | Composition | Compo ## Comparison | Property | Proper NYSE COMPOSITE PRICES **NASDAQ NATIONAL MARKET** | 13 | 7 | USF86 | 2.0 | 1.8 | 7.03 | 125 | 125 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 AMEX COMPOSITE PRICES | Stock | Div. E | 105a | High | Low Close Chang | Stock | Div. E | 105a | High | Low Close Chang | Stock | Div. E | 105a | High | Low Close Chang | Stock | Div. E | 105a | High | Low Close Chang | Stock | Div. E | 105a | High | Low Close Chang | Stock | Div. E | 105a | High | Low Close Chang | Stock | Div. E | 105a | Stock | Div. E | 32 46 14½ 14½ 14½ 14½ 1 17 6½ 8¾ 6¾ 6¾ 1 2632 3½ 3½ 3¾ 3¾ 15 221 6½ 6 6¼ 0.82 9 218 1622 2½ 1½ 2½ 1.12 16 68 12¾ 12¾ 12¾ 0.05 8 25 21 21 21 12 124 24 25 224 225 124 125 134 135 74 74 74 75 44 45 **OUR VIEWS ARE** VALUED FROM VIENNA TO VANCOUVER. You'll find the Financial Times on many leading airlines and at hotels and kiosks in business centres all around the world. So wherever your business takes you, our news and views can still be part of your business day. Any problems call the FT Copyline on 49 69 15685150.

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Fall in April consumer demand weakens Dow

Wall Street

TRADING on US stock markets retained its negative bias yesterday as share prices added to the substantial losses incurred on Tuesday, writes Patrick Harverson in New York. By 1 pm the Dow Jones Industrial Average was down 6.74 at 3,363.18. The more broadly based Standard & Poor's 500 was also lower at midsession, down 0.68 at 409.43, while the Nasdaq composite fell 0.38 to 573.42.

Turnover on the NYSE was

121m shares by 1 pm. Although there were no new economic figures out, the announcement late on Tuesday of a 6.3 per cent drop in April consumer borrowing unsettled sentiment. The decline was unexpected, and the largest monthly drop since 1980. Any weakness in consumer demand could threaten the economic recovery, so the borrowing data added to investors' worries about the outlook for an economy that is already performing below expectations.

Northern Telecom fell \$21/4 to \$37% in active trading after the company warned that its second quarter earnings would be below market expectations, and that its revenues may even be lower than they were a year

International Paper, which fell on Tuesday after a Salomon sector downgrade, recovered with a gain of \$1% to \$66% after another broking house, Oppenheimer, added the stock to its short-term buy list. and predicted that the shares would trade in a range of \$72 to \$75 over the next three to six

Stocks of securities companies fell amid concern that interest rates may have bottomed and that equity prices may be heading for a sizeable correction. Both factors would hurt the sector's earnings, which have been running at record levels for the past 12 months. Among the losers were Salomon Brothers, down \$% at \$82%. Merrill Lynch. down \$% at \$44%, Morgan Stanley, \$1% lower at \$49%,

Among individual stocks, and PaineWebber, \$1/4 weaker

General Instrument returned to the market. The company's initial public offering of 22m shares was made at a price of \$15 a share. By early afternoon the stock was trading at \$15 on turnover of 1.6m shares. Universal Foods eased \$% to

\$291/4 after warning that "very difficult times" in the french fry business would probably result in revenues for the current fiscal year coming in below \$900m.

On the Nasdaq market, comments from Technology Solutions that a write-off for receivables and contracts this year would not affect net income failed to impress the maket, which sold the stock down \$2 to \$18.

Canada

TORONTO continued to trade moderately by midsession with the TSE-300 composite index down 9.8 at 3.376.3. Declines led advances by 233 to 185 in volume of 13.2m shares valued at

Nordic insurer masterplan turns sour

Uni's ambitious merger scheme has come painfully unhinged, writes Richard Lapper

nent Scandinavian insurers - Skandia, the region's biggest. Uni Storebrand of Norway and Hafnia of Denmark - have seen dramatic share price declines following an unsuccessful bid by the ambitious Uni to lead a merger between them. With premium rates rising

and options elsewhere in the Scandinavian financial sector unattractive, the insurers could be worth buying for their recovery potential. Would be buyers, however, are urged to be cautious.

When Sweden's SE Banken sold its 28.2 per cent share in Skandia last November, Uni joined forces with Hafnia to accumulate a 47.7 per cent Skandia stake, and said that it intended to build a Nordic insurer big enough to compete in the newly liberalised European market.

The effort has been blocked by Skandia's management and shareholders - which are protected by a voting structure skewed to protect the interests

IN A VARIED day for bourses.

Paris seemed to find plenty to talk about while Frankfurt

remained quiet, writes Our Markets Staff. Elsewhere, there

was a focus on the financial

sectors of four countries, partly

after the Copenhagen effect on bond markets last week, and partly shead of results in Swe-

PARIS saw a continuation of

some themes begun on Tues-

day, as Schneider and its

related companies again came into the spotlight. At yester-

day's annual meeting the com-pany reiterated what analysts had heard the day before by

forecasting a 1992 net profit of

some FFr400m against a previ-

ous estimate of FFr650m. The

shares slid another FFr26.00 to

FFr682.00, but off the day's low

of FFr662.00. Among its subsid-

iaries, Merlin weakened

FFr16.00 to FFr530.00 while the

holding company, SPEP, shed

FFr14.50 or 4.4 per cent to

The CAC-40 index had a

News that Euro Disney had

to close its gates on Sunday

because the theme park was

full was one reason for a

pick-up in its shares, which fin-

ished FFr5.00 higher at

FFr114.00. However, some ans-

lysts noted that the price had

fallen so much that it was ripe

News earlier in the day that

Nestle was the buyer of Exor's

remaining stake in Suez left the latter down FFr3.20 at

FFr315.20 while Exor was

Nord Est improved FFr4.50 to FFr133.70 after the sale of a

construction group in which it

was the majority shareholder

to Lyonnaise des Eaux-Dumes. Lyonnaise lost FFr11.00 to

FRANKFURT's activity level

improved from derisory to

JOHANNESBURG tracked

weaker US and Japanese mar-

kets. The industrial index lost

23 to 4,657, while the overall

index was 7 down at 3,732. The

gold index advanced 5 to 1.079.

Rembrandt Group shed R1.35

to R28.00 on poor results.

SOUTH AFRICA

unchanged at FFr1,401.00.

slightly easier day, closing down 8.50 at 1,953.73, having

earlier touched 1,951.

for an upturn.

FFr315.50.

den and Finland.

of small shareholders who own the majority of the equity ~ and the effort has now run into the sand, leaving both Uni and Hafnia substantially out of pocket

Both companies borrowed to fund their Skandia holdings, now worth more than 50 per cent less than at the time of purchase last year.

A subsequent resolution of the dispute would have involved Uni exchanging its stake for Skandia's non-US reinsurance interests and Skandia taking over control of Hafnia. This collapsed largely because of nationalist inspired opposition from Hafnia's Danish pension fund owners.

The result is a stand-off and continuing uncertainty. Skandia was trading yesterday at SKr109 (down more than 50 per cent on its price nine months ago); Uni Storebrand is lannishing at NKr53, while Hafnia has seen over 75 per cent of its equity capitalisation disappear in the past 12 months. Few analysts are interested in the heavily indebted Haînia 90-1

which, in addition to its lossmaking stake in Skandia, also owns over 30 per cent of its rival, Baltica; but Uni and Skandia excite some interest. Mr Tim Dawson of Merrill Lynch, is an enthusiast of both Uni and Skandia, which he says are "reasonably cheap on fundamentals. It is difficult to see the downside. Any further price falls and the visible value would just start screaming at

Mr Angus Runciman of BNP Securities favours Skandia. With the takeover threat defeated and its potential predators humbled, he says, the Swedish company is now free to pursue a conservative strategy, focusing on the expansion of its less volatile life assurance business and a steady reduction in its cost base. The company has a strong solvency margin of around 75

act as a brake." pr cent, and although earnings

have slumped recently - par-tially as a result of losses from Scandinavian credit insurance shington and non-life insurance losses in the UK - a return to profits is on the cards in 1993 and 1994. Nonetheless, it remains heavily exposed to property values, with over 60 per cent of its "solvency assets" tied up in Swedish real estate. Mr Bob Yates, of brokers Fox Pitt Kelton, reckons that property could decline further this year. and further dent the company's underlying asset base.

Hits ima

Mr Yates agrees that the shares are around the floor but does not expect the recovery in earnings to be sufficient to provide support for the price until 1994. In the meantime he is concerned by the overhang of the Uni and Hafnia holdings. If a scheme could be found which would place the whole

of the stock overhang, then at present price levels the share would represent reasonable value, says Mr Yates. "If not, the stock could dribble out in bits and pieces and this could

Bovespa rally after Telebras-led slump

The Sao Paulo stock market, which broke a string of five straight losing days on Tuesday with a 2.45 per cent rise in the Bovespa index to 25,325, was unchanged by midday yesterday,

writes Bill Hinchberger. Before Tuesday the index had registered a drop of 4.6 per cent for June. The real loss was greater given an inflation index of 9.75 per cent for the same period. That downturn has been primarily due to a fall in Telebras, the statecontrolled telecommunications holding company. Telebras closed up 1.6 per cent on Tuesday, at \$24.12, after a 6.4 per cent drop on Monday. It was 2.3 per cent lower by midday yesterday. Generally responsible for over onehalf of trade, Telebras weighs heavily on the

Some analysts attributed the Telebras downturn to domestic investors, primarily concerned with their positions in the local options market. Others believe that foreign investors are slowing their rate of investment in Telebras, and Brazil, after the government's decision last week to cancel the company's planned ADR placing in New York.

The official explanation is that a large ADR issue might erode the Telebras share price, with a negative affect on privatisation plans Some say that this step has created doubt in the minds of investors over the government's commitment to privatise the company. Mr Alvaro Augusto Vidigal Filho, Bovespa president, has called on officials to calm the market with a clear statement of its plans for Telebras.

Nikkei lower after active trading in theme stocks

Tokyo

ARBITRAGE unwinding depressed share prices yesterday, although sentiment was also weak on the decline in the yen and Tuesday's fall on Wall Street, writes Emiko Terazono in Tokyo.
The Nikkei average fell

102.17 to 17,742.87, after a high of 17,972.20 and a low of 17,576.07. Traders blamed late arbitrage-related selling by a leading US broker.

Volume rose from 182m shares to 260m on active theme stock trading by Japanese

Advances led declines by 448 to 444 with 207 unchanged. The Topix index of all first section stocks added rose 0.25 to 1,347.24 while, in London, the ISE/Nikkei 50 index eased 1.38 to 1.058.62.

Pension funds and investment trusts were seen placing buying orders at lower levels. Life insurance companies also said that they intended to pick up blue chips if the index were

to fall further. Traders said that most foreign houses were expecting the index to fall sharply on the futures expiration this Friday. However, leading Japanese brokers have maintained a bullish stance. Daiwa Securities said that the Nikkei should

stocks led activity. Meiji Milk Products was the most active issue of the day, gaining Y2 to Y994, and Nissan Chemical rose Y29 to Y766.

dealers, with Japan Storage Battery advancing Y20 to struction up Y2 to Y962.

Weak earnings prospects pulled down Toyota Motor, which fell Y20 to Y1,490 on reports of an 8 per cent fall in pre-tax profits for the year ending June 1993.

Nippon Telegraph and Telecards for its shareholders. In Osaka, the OSE average

of 11.2m shares.

WEAKNESS in the US affected some markets yesterday. HONG KONG fell on profittaking but HSBC bucked the

at HK\$45.50. The Hang Seng

Bio-technology and chemical

Environmental-related theme stocks were also targeted by Y1,080 and Penta-Ocean Con-

phone fell Y11,000 to Y609,000. Investors failed to react to the company's announcement of telephone charge discounts and free prepaid telephone

Roundup

trend following Tuesday's decline to close 75 cents higher

recover the 19,000 level due to

"technical rebound".

fell 13.64 to 20,483.91 in volume

index lost 22.69 to 5,917.50 in turnover of HK\$3.84bn.

SINGAPORE advanced on good gains in blue chip stocks. The Straits Times Industrial index rose 19.30 to 1,511.41.

SECUL was prevented from falling further after intervention by the stabilisation fund. The composite index closed 1.11 higher at 562.87 in turn-over up from Won191.8bn to Won206.9bn .

TAIWAN moved upwards on financial stocks, helping the weighted index to close up 107.15 at 4,633.80. Turnover climbed to T\$28.48bn from T\$20.6bn

MANILA rose on buying of oil stocks and the composite index advanced 5.09 to 1,573.34. KUALA LUMPUR was higher on bargain hunting with the composite index up 4.85 to 589.52. Losers outpaced gainers

by 119 to 105. AUSTRALIA weakened with the banking sector dragging prices lower. The all ordinaries

losed 8.7 lower at 1,685.8. BANGKOK bided its time shead of the announcement of a new premier. The SET index rose 2.91 to 687.38 in thin turn-

ver of Bt2.91bn.

JAKARTA firmed on a peaceful poll and the return to power of President Suharto's party, the Jardine Fleming rising 1.40 to 69.62.

Banks in focus in varied day for bourses

FT-SE Eurotrack 100 - Jun 10 Hourly changes Open 10 am 11 am 12 pm 1 pm 2 pm 3 pm close 1172.84 1173.33 1174.43 1175.37 1175.80 1175.72 1174.57 1174.58

Day's High 1176.95 Day's Low 1172.60 1177.48# Seus value 1000 (25/10/90). or profit prospects within the quiet, German stock market turnover climbing from DM3.8bn to DM4.9bn as equi-

gain to 1,789.76 in the DAX at Share price volatility stayed in the second liners with Deutsche Babcock, weak recently on poor results and prospects, recovering DM6 to DM162.50 but Lufthanse, in similar case, falling another DM3 to DM130. Continental, the tyremaker, rose another DM2 to DM278 on

speculation about merger and/

ties recovered from a 1.77

decline to 711.83 in the FAZ

index at midsession to a 3.50

industry. Meanwhile, Escada, the fashion company, fell another DM13.50 to a new 1992 low of DM332.50 on the death last week of its co-founder, Ms Margaretha Ley. Its high for the year was DM585.

In retailing, Karstadt rose DM7.50 to DM639 ahead of its 1991 results. Banks came into the frame in Italy and Sweden, where

they were selectively higher, and in Switzerland and Finland where they were weak.

MHAN linked further gains in Credito Italiano and Medio-

the Comit index rose 1.03 to 481.07. Volume was dulled again by technical problems. In STOCKHOLM, banks staged a partial recovery after their recent losses, SE Banken A gaining SKr1.50 to SKr31 and Handelsbanken A SKr0.50 to SKr50.50. The Affärsvärlden General index fell 3.7 to 959.8.

banca, L17 to L1,687 and L135

to L13,355 respectively, with

those in other blue chips like

Fiat, Olivetti and Generali as

ZURICH said that the finan-

cial sector was under more pressure than industrials as the SMI index fell 11.1 to 1,888.5. Banks were under pressure from interest rate worries. CS Holding bearers falling SFr40 to SFr1860 and insurers

from an upcoming Zurich Insurance rights issue, although Winterthur bearers

led the way down with a fall of SFr60 to SFr3,190. HELSINKI's banks led the fall as the Hex index dropped 15.1, or 1.9 per cent to 783.7. The banks and finance index was down 3.8 per cent.

AMSTERDAM featured KLM and Fokker while the CBS Tendency index slipped 0.1 to 130.3. The airline group was 60 cents weaker at Fi 39.90 following the cut in transatiantic air afares by the US airline, Delta. Fokker improved 90 cents to F1 35.10 on news that the government may keep part of its stake under terms being negotiated with DASA.

BRUSSELS followed other markets lower with retailers moving in heavy trade. The Bel-20 index lost 4.1 to 1.219.78 with Delhaize losing BFr25 to BFr1.785 and GIB down BFr2 to BFr1,452. Solvay went against the trend, rising BFr75 to BFr13,575.

MADRID's general index improved 0.37 to 251.34 with turnover of some Ptalihn in spite of Telefónica not being

1200

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Party -

This announcement appears as a matter of record only.



N.V. Martin Mathys

A leading Belgian producer of speciality protective coatings

has been acquired by

N.V. Radiant Color

A 100% indirectly-owned subsidiary of

RPM, Inc.



The undersigned initiated this transaction, assisted in the negotiations and acted as financial advisor to the majority shareholders of N.V. Martin Mathys

The Chase Manhattan Bank, N.A.



FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JUNE 9 1992								MONDAY JUNE 8 1992				DOLLAR MIDEX			
Figures in parentheses Show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yheld	US Dollar Index	Pound Sterling Index	Yen Index	DM: index	Local Currency Index	1992 High	1992 Low	(sbbtox) ago Aest
Australia (69)	153.09	-0.1	123.82	123.48	126,55	133.28	+0.0	4.09	153,18	123,83	123,08	126.58	133.26	153.68	140.94	135.2
Austria (19)	174.83	+0.2	141,49	141.08	144,60	144.57	+0.3	2.03	174.50	141.07	140,20	144.21	144.19	186.70	162.48	197.39
Belgium (46)	144.00	+0.1	116,47	116.14	119.04	116.30	+0.2	5.25	143.91	116.34	115.61	118.92	116.05	146.19	135.87	130.5
Canada (115)	128.15	-0.1	103.65	103.36	105,93	110.75	-0.1	3.31	128.31	103,73	103.08	106.03	110.89	142.12	125.60	141.7
	238.17	-0.7	192.64	192.11	196.88	198.98	-0.6	1.84	239.83	193.87	192.68	198.19	200.28	273.94	226.81	239.2
inland (15)	77.60	-0.5	62.77	62,60	84.15	70.38	-0.6	2.01	78.00	63.05	62,67	64,46	70.82	89.80	73.64	111.0
rance (104)	162.81	-0.9	131.69	131.31	134.58	136.76	-0.9	3.44	164.24	132.77	131,94	135.71	138.02	168.75	148.06	135.6
Jermany (65)	124.30	-0.2	100.54	100.27	102.75	102.75	-0.1	2.25	124.53	100.67	100.06	102.90	102.90	124.92	114.67	1125
long Kong (55)	249.71	-0.7	201.97	201.40	206.42	247.89	-0.7	3.31	251.42	203.25	202.00	207.78	249.70	254,67	176.36	151.7
reland (16)	158.74	+0.2	128.40	128.04	131,22	133,10	+0.0	4.09	158,44	128.08	127,29	130.93	133.08	173.71	151.78	151.6
taly (78)	70.28	-0.2	56.84	56.68	58.09	63,15	~0.2	3.35	70.45	56.95	56.60	58.22	63.29	80.86	68.39	
lapan (473)	103.69	+0.3	83.87	83.64	85.73	B3.64	+0.7	1.02	103.36	83,55	83.04	85.42	83.04	140.95	88,70	
	235,13	-0.1	190.18	189.64	194.36	228.20	-0.2	2.72	235.47	190.36	189.18	194.58	228,58	250.18	212.49	235.8
Aexico (18)1		-0.8	1337.99	1334.27	1387.45		-0.8	1.02	1667,12		1339,40	1377.67	5674.20	1789.77	1376.91	1054.0
Velherland (25)	163.98	+0.2	132.63	132.26	135.55	134.00	+02	4.19	163.59	132.24	131,43	135,19	133,69	163.98	147.88	137.4
Vew Zealand (14)	47.32	-0.2	38.27	38.17	39.12	46.05	-1.0	5.55	47.39	38.31	38.08	39.17	48.52	48.52	42.01	47.9
Vorway (23)	186.55	-0.7	150.8B	150.47	154.21	157.17	-0.7	1.61	187.89	151.89	150.95	155.27	158.30	192.95	161.26	196.8
singapore (38)	223.42	-0.4	180.71	180.21	184.68	167.46	-0.5	1.98	224.37	181.38	180.26	185.41	168.22	228.43	192.76	
South Africa (61)	245.16	-0.9	198.29	197.73	202.65	188.52	-0.1	2.72	247.50	200.08	198.84	204.53	188,66	263,60	203.16	
Spain (50)	154.22	-1.0	124.74	124.40	127.49	117.13	-1.2	5.19	155.72	125.88	125.11	128.68	118.56	161.72	146.86	156.8
weden (27)	195.82	-1.0	158.38	157.95	161.87	166.54	-0.8	2,66	197.72	159.83	158.85	163.39	167.93	200.28	173.09	187.6
Switzerland (61)	107.09	-0.9	86.62	86.38	88.53	96.66	-0.6	2.27	108.06	87.36	86.82	B9.31	97.28	108.17	95.99	- 92.5
Inited Kingdom (228)	194,23	-0.4	157,10	156.65	180,54		-0.4	4.76	195.05	157.68	156.69	161.17	157.68	200.07	165.85	168.8
USA (522)	167.07	-0.8	135.13	134.76	138.11	167.07	-0.8	2.99	168.43	136.16	135.32	139,19	168.43	171.66	160.92	_
Europe (792)	154.10	-0.4	124,64	124.29	127,39	126.87	-0.4	3,87	154.79	125.13	124,36	127,92	127.39	156.88	139.31	137.7
Nordic (100)	180,68	-0.8	146.30	145.90	149.53	147,15	-0.7	2.21	182.37	147.43	146.52	150.71	148,25	188.52	169,66 94,40	
Pacific Basin (718)	110.16	+0.2	89.10	88.86	91.07	89.87	+0.0	1.38	109.92	88.86	88.31	90.84	89.38	141.97	115.80	
Euro – Pacific (1510)	127.96	-0.1	103.50	103.20	105,77	105.19	+0.1	2.58	128.09	103.54	102.90	105.84	105.10	145.21	158.70	153.4
North America (637)	164.62	~0.8	133.15	132.80	136.11	163,24	-0.8	3.00	165.91	134.12	133.31	137.13	164.51	189.69	121.81	118.6
Europe Ex. UK (564)	130.11	-0.5	105.24	104.97	107.58	109.38	-0.4	3.21	130,72	105.67	105.04	108.05	109.87	131.77	149.00	137.4
Pacific Ex. Japan (245)	173.91	-0.4	140.66	140.29	143.77	154.03	-0.4	3,50	174.53	141.09	140.24	144.24	154.61	175.31	118.45	136.1
Norld Ex. US (1704)	130.28	-0.1	105.36	105.07	107.68	107.62	+0.1	2.59	130,42	105.43	104,79	107.78	107.54	146.91		138.6
Norld Ex. UK (1998)	136.73	-0.4	110.59	110.29	113.04		-0.3	2.48	137.28	110,97	110.30	113.45	123.14	150.58	127.21	140.7
Norld Ex. Sc. At. (2165)	141.00	-0.4	114.05	113.74	116.57	125.43	-0.3	2.75	141.56	114.43	113.74	116.99	125.79	153.05	130.04	
World Ex. Japan (1753)	163.03	-0.6	131.87	131,51	134.79	150.34	-0.0	3.32	164.08	132.64	191.84	136.81	151,26	165.40	153.20	
he World Index (2226)	141.69	-0.4	114.60	114.29	117.13	126.00	-0.3	2.75	142.25	115.00	114.29	117.56	126.36	153,70	130.66	147.2